INDUSTRIJA NAFTE, d.d.

Q4 AND Q1-Q4 2010 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q1-Q4 2010 results today. This report contains unaudited consolidated and non-consolidated financial statements for the period ending 31 December 2010 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

HRK mln.	Q3 2010 Restated	Q4 2009 Restated	Q4 2010	%	2009 Restated	2010	%
Net sales revenues	7,192	5,968	7,357	23.3	22,331	25,863	15.8
EBITDA [1]	1,475	681	1,056	55.1	2,807	5,044	79.7
Operating profit	268	(229)	771	n.a.	(205)	2,127	n.a.
Operating profit excl. special items [2]	978	174	937	438.3	252	2,884	1,044.4
Net financial gain (expenses)	557	(184)	(263)	42.9	(284)	(810)	185.2
Net profit/loss [3]	668	(382)	398	n.a.	(392)	958	n.a.
Net profit/loss excl. special items [2]	1,235	66	526	693.8	72	1,558	2,075.4
Operating cash flow	n.a.	n.a.	n.a.	n.a.	2,960	1,618	(45.3)

USD mln [4]	Q3 2010 Restated	Q4 2009 Restated	Q4 2010	%	2009 Restated	2010	%
Net sales revenues	1,279	1,213	1,356	11.8	4,229	4,702	11.2
EBITDA [1]	262	138	195	40.6	532	917	72.5
Operating profit	48	(47)	142	n.a.	(39)	387	n.a.
Operating profit excl. special items [2]	174	35	173	388.2	48	524	998.7
Net financial gain (expenses)	99	(37)	(48)	29.6	(54)	(147)	173.8
Net profit/loss [3]	119	(78)	73	n.a.	(74)	174	n.a.
Net profit/loss excl. special items [2]	220	13	97	619.9	14	283	1,988.6
Operating cash flow	n.a.	n.a.	n.a.	n.a.	561	294	(47.5)

(1) EBITDA = EBIT + Depreciation + Impairment + Provisions

(2) Excludes special items items related to asset impairment, stock evaluation, deferred taxes, provision, severance payments and special items income. The 2010 EBIT was negatively influenced by HRK 757 million special items. The redefinition of cash generating units resulted in HRK 334 million positive effect in Q2 2010, the one-off impairment charge negatively influenced the result by HRK 154 million, inventory revaluation by HRK 115 million in Q2 2010, HRK 434 million for provisions and HRK 389 million for redundancy payments.

3) INA Group net profit attributable to equity holder.

(4) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for 2009: 5.2804 HRK/USD, 2010: 5.5000 HRK/USD., for Q4 2009: 4.9194 for Q4 2010: 5.4243HRK/USD.

Overall 2010 results of INA Group show that the company successfully returned to profitability at both operating and net profit levels together with the drastic improvement of its stabilisation of the financial position. Our EBITDA increased by nearly 80% reaching HRK 5,044 million, while operating profit excluding special items was HRK 2,884 million, as well. Results were mainly driven by increased hydrocarbon production from North Adriatic offshore fields and Syria confirming all efforts and investments made into major investment programmes throughout the financial and economic crisis. Additionally, results from Upstream have benefited from improving economic environment through increasing crude prices, while the improved but still loss making Downstream benefited from the moderate upturn of realised refinery margins driven by recovering global activity. Although at a smaller extent, still INA Group experienced a HRK 335 million negative contribution of the gas trading business to its result.

At the net profit level 2010 was significantly better than 2009 resulting from the already mentioned trends and efforts by the management, with HRK 958 million net profit compared to HRK 392 million net loss last year. Results were partially off set by forex losses on credit facilities.

In Q4 2010 INA Group has delivered HRK 526 million net profit excluding special items significantly improving compared to the HRK 66 million net profit excluding special items achieved in Q4 2009. Operating result excluding special items was negatively driven by the seasonal nature of operations which resulted in lower downstream (13%) and retail (24%) sales volumes. Additionally the result was affected by ambiguous external environment, i.e. increase in crude oil prices and improving crack spreads having the positive influence, while depreciation of Kuna resulted in high Q4 financial expenses amounting to HRK 263 million.

During 2010 management was focused on enhancing operational efficiency with major emphasis on cost control, procurement process optimisation and work force optimisation, while also concentrating on identifying further areas with improvement potential. In this respect we have concluded a comprehensive redundancy programme involving 1,500 employees, achieving significant cost savings related to material and service costs (exceeding HRK 450 million cost savings compared to 2008) while INA also benefited from introducing new tendering process and renegotiation of contracts targeting more than HRK 100 million savings compared to previous years.

2010 was the year of financial stabilisation during which CAPEX has been adjusted to the Group's financial position reaching HRK 2,890 million or 36% lower compared to 2009. Key investment programmes including refinery modernisation and development of Upstream projects in Syria and North Adriatic, have continued as scheduled already contributing significantly to the strengthened results. In parallel with and adjusted CAPEX program INA Group has managed to resolve overdue liabilities towards suppliers and towards the state and has also settled all late interest payments to the state budget. With settling overdue liabilities INA has stabilised its financial position that was supported by the financial assistance of MOL Group and through rising new external funds.

Our management's commitment to implementing measures for improving efficiency of operations, to continuing investment programmes started in Rijeka and Sisak refineries, intensification of upstream activities in Croatia and abroad and modernization and revitalization of the filling stations network ensures the company's secure future and a competitive position on the market. With internal restructuring efforts, the reduction of operating costs and continuing our major capital projects, INA will strengthen its market leadership in Croatia.

Overall operations

- **Exploration and Production:** operating profit excluding special items in 2010 amounted to HRK 4,576 million (USD 832 million), up by 167.8% compared to 2009 mainly due to 16% higher average daily hydrocarbon production. This resulted from Annamaria offshore gas field and Jihar oil and gas station start-up in Syria offset by natural decline of crude production in Croatia onshore fields, Egypt and Angola. Increase in operating profit was additionally backed with increase in average realised hydrocarbon prices and realized efficiency improvement measures. However, segment result has experienced HRK 335 million negative contribution of the gas trading business.
  Based on the Gas Master Agreement signed by the Government of the Republic of Croatia and MOL on 30 January 2009 and amended on 16 December 2009, the Croatian Government should have taken over the gas trading business before 1 December 2010. Since this has not happened and the ongoing negotiations do not yet indicate a revised timeline, this activity no longer meets the criteria for discontinued operations. Consequently, assets, liabilities, revenues and expenses are disclosed among continuing activities within the Exploration and Production segment. Comparative periods have been restated accordingly.
  During Q4 2010 INA has undertaken actions in order to ensure stable and un-interrupted gas supply in Croatia during the heating season and in light of that concluded a supply contract with the best possible terms available on the market, selecting Eni as a reliable and credible company and concluding agreements on new business terms with HEP and Petrokemija.
- **Refining and Marketing**: In 2010, INA had an operating loss (excluding special items) of HRK 465 million (USD 85 million) in the Refining&Marketing segment mainly due to still depressed refinery margins and a 9.6% drop in refined product sales compared to 2009 resulting from decreased Croatian and regional market demand. Compared to 2009, the operating loss (excluding special items) decreased by HRK 43 million resulting from optimized crude oil procurement, processing of Azeri Light oil which gave better product yields, slightly improved margins and stronger control of operating costs. Moreover, during the year strong efforts were made in improving refinery operations to produce Euro V products implemented from Q2 2010 and completion of first phase of refinery modernization programme.
- **Retail segment:** generated a HRK 35 million (6 million USD) operating profit excluding special items in 2010, or HRK 8 million below 2009 mostly because of 5.9% decrease in sales volumes due to the drop in retail demand. This negative effect was partially mitigated with cost-cutting measures, efficiency improvements initiatives and introduction of EURO V quality throughout the entire domestic network ensuring a significant improvement in quality perception of INA.
- **Corporate and Other[1]:** In 2010, operating loss excluding special items of HRK 1,262 million (USD 229 million) was recorded, which was HRK 270 million higher than 2009 mainly because of higher financial loss relating to operations which were slightly offset by lower other operating costs as a result of cost-cutting measures.
- **A net financial expense** of HRK 810 million was recorded in 2010 in comparison with net financial expense of HRK 284 million in 2009. The difference of HRK 568 million occurred mostly because of higher forex losses on credit facilities (HRK 423 million forex loss compared to a forex gain of HRK 145 million in 2009). The interest expense was at the similar level like in 2009 while other financial expenses were HRK 43 million lower compared to 2009.
- **Capital expenditures:** In 2010 CAPEX reached HRK 2,890 million (against HRK 4,504 million in 2009) as the investment budget was brought in line with current market environment, financial position and own cash generation capabilities. However the reduced CAPEX was not to the detriment of the major projects and of the retail modernisation. With HRK 1,473 million, primarily spent on development operations in Syria and North Adriatic, Exploration and Production accounted for majority of CAPEX, while Refining and Marketing spent HRK 1,327 million, mostly allocated on the refinery modernisation programme while HRK 52 million was invested into retail operations.
- **Net indebtedness:** INA Group net indebtedness increased to HRK 10.0 billion compared to HRK 8.2 billion as at 31 December 2009 while its gearing[2] as at 31 December 2010 was 43.8%, growing from 40.9% as at 31 December 2009 as a result of sustaining significant level of investments and repaying overdue liabilities. In 2010 INA Group has improved its Net Debt/EBITDA ratio reducing it below the level of 2 mainly by increasing EBITDA, which offset the higher debt level.
- **Operating cash flow:** In 2010, the operating cash-flow before changes in working capital improved to HRK 4,194 million (61% up in comparison with 2009). Operating cash-flow amounted to HRK 1,618 million (45% down year-on-year). Changes in working capital decreased the operating cash flow in 2010 by HRK 2,550 million, primarily as a result of huge steps taken to reduce overdue liabilities, higher value of inventories mainly work in progress (WIP) and higher trade receivables.

1 Includes Corporate Functions and subsidiaries providing safety and protection services, technical services, corporate support and other services.
2 Net debt / net debt plus equity incl. minority interests

Mr Zoltán Áldott, President of the Management Board commented the result:

"After two challenging years, we have managed to stabilise financial positon and operations delivering a strong positive result in 2010 which has confirmed our efforts put into the key investment programmes during the crisis. While many oil companies stopped or postponed their investment programs in 2008/09, we have seized the crisis as a chance for development and growth, continuing with investments, especially in Upstream and in refinery modernisation to increase competitiveness.

In the exploration and production segment we have started testing of Syrian Hayan gas plant project in December 2010 which will enable a significant increase in gas and condensate production volumes after completion. In the downstream business altogether HRK 4 billion has been spent on refinery modernisation in recent years, bringing INA in line with other European refiners, improving competitiveness and enabling INA to introduce Euro V products in the entire retail network. In addition, the starting-up of the hydro cracking complex in Rijeka ensures further benefits to our customers, shareholders and other stakeholders. Being aware of the importance of meeting our customers' needs, we have started modernisation and revitalization of our filling stations, in order to meet the highest expectations and make our network the first choice of Croatian customers. Besides remaining committed to investments programs as one of the key investors in Croatia, INA managed to achieve lower cost levels closer to industrial benchmarks while also as a major employer attracted more than 100 new young talents during 2010. In addition by concluding a supply contract for three years with Eni at the best possible terms available on the market INA ensured security of supply and the stability of the Croatian Economy.

Key management tasks will be: further improvement of our operational efficiency, the development and enlargement of our domestic and international upstream portfolio, continuing with refinery modernisation investments and focusing on the revitalization of the filling station network. Our goal is to develop INA into the leading oil and gas company in the South-East European region."

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Overview of the macro environment

The global economy experienced a relatively healthy recovery overall in Q4 2010, but the sharp divisions between the performance of developed and emerging economies remained largely in place. While both the US and Japan boosted their growth somewhat with further stimulus measures, the Eurozone remained mired in its ongoing solvency crisis throughout the quarter and continued to be the weakest link within the group of advanced economies. The renewed turbulence was this time triggered by Ireland, where the troubled banking sector and the resulting fiscal sustainability concerns forced the second IMF-EU bailout in the Eurozone periphery within 6 months. The preventive measures put in place in the aftermath of the Greek debt crisis (namely the EUR 440 bn Eurozone bailout fund and ECB bond purchases) managed to contain a widespread spill over from the periphery to the core of the Eurozone in case of Ireland. Nevertheless, the apparent unwillingness of creditor nations (most importantly Germany) to preempt further market pressures with increased commitments as well as the possibility of yet more and larger member states (e.g. Portugal, Spain, Italy, Belgium) requiring financial assistance poses a substantial downside risk to the recovery of the EU as a whole, and will likely result in continuing volatility in exchange rate movements. Economic growth in emerging economies remained robust throughout Q4 2010, but inflation pressures and overheating risks are continuously building (most notably in China), which increases the risk of developing boom and bust cycles and an eventual hard landing with substantial impact on global economic growth.

Oil prices followed a more or less continuous growth pattern starting the quarter at around 80 USD/bbl and approaching the psychological 100 USD/bbl mark towards the end of Q4. The Dated Brent averaged at 86.5 USD/bbl, 12.5% higher q-o-q and 16% higher y-o-y. The oil price boom seen in the last month of Q4 reflected continuously tightening supply-demand fundamentals mainly fuelled by another massive demand increase in China. Unless the most potent downside risks (namely a deepening Eurozone crisis or a hard landing in emerging Asia) materialize, the global oil market can soon resemble again to the bull market seen in the early days of 2007, as OPEC spare capacity (now under 5 mn bbl/day for the first time in 2 years) is slowly but steadily diminishing, OECD commercial stocks (standing at 58.7 days of forward demand cover at the end of November) are declining and geopolitical tensions throughout the Middle East and parts of Africa are on the rise. Overall, the IEA estimates that global oil demand grew by 0.3 mn bbl/day q-o-q to 88.9 mn bbl/day in Q4 2010, which equals to a 3.5% y-o-y increase.

Refining margins remained below historic average levels during Q4 2010, but Ural margins posted a notable increase from Q3 2010 levels due to the widening price discount of Urals from the middle of the quarter. Diesel, gasoline, naphtha and jet fuel crack spreads all strengthened substantially from their lows seen in Q3 2010 and gasoline and naphtha even beat the 5-year average, while diesel and jet fuel crack spreads remained below their historic levels. The overall improvement of crack spreads can in part be attributed to seasonality and partly to widespread strikes against pension reform in France effectively taking out the bulk of French refining capacity for most of October. Historically negative fuel oil crack spreads dropped significantly and reached historic lows towards the end of Q4 as rising crude prices prompted substitution and consequently decreased demand for fuel oil in the power sector.

The CEE region's recovery is still mostly driven by the manufacturing boom in Germany rather than by domestic demand, which is subdued by stubbornly-high unemployment rates and continuously weak credit growth. Economic growth is likely to moderate somewhat, as most countries in the region will carry out some degree of fiscal consolidation throughout 2011. The foremost downside risk to the CEE region's recovery remains the continuing sovereign stress in the Eurozone. However, the impact of a deepening Eurozone debt crisis on most CEE economies would be manageable as long as it remains confined to the euro area's periphery, while the region's main export markets remain relatively intact in the core of the currency union.

In Q3, Croatian economy has experienced a mild 0.2% growth of the economic activity, breaking a period of continuous negative growth since the beginning of 2009. The most significant contribution to the growth was increased personal consummation (+1.9%) due to the seasonal effects of higher employment and a good tourist season and by the positive trends in foreign trade, i.e. strong increase of exports (5.7%) while imports grew only 3.1%. These positive trends have off set the negative influence of a strong drop in capital investments (9.7%) and reduced government spending (0.9%) Last quarter of 2010 should experience again a negative growth rate, mainly due to the seasonal nature of the factors which had the positive influence on the economy. Increase of unemployment and reduced personal consumption which would lead to tightening of the domestic demand together with the decreased investments will have a strong influence on the economic activity. It is expected that the economy will experience negative growth in 2010, while 2011 is to be the year of recovery with 1.5% growth rate. Foreign demand i.e. increased demand from the euro area, which would increase the exports, would be the leading contributor to the recovery.
On average, 2010 inflation rate was at low 1.1% indicating low inflationary pressures as due to the reduced domestic demand increased cost could not have been fully transferred to the consumers. Prices of goods and services for personal consumption remained at same level compared to the November, while on the annual basis comparing to December 2009 prices increased 1.8%. Increased prices were mainly coming from increased prices of housing, water, energy, gas and other fuel prices due to the increasing energy prices on the global markets backed by signs of global recovery. Opposite to the first nine months, last quarter of the year showed depreciation pressures on Kuna breaching the 7.40 HRK/EUR level. However, the central bank continued with the stable exchange rate policy with interventions to the market keeping the local currency below the mentioned level.

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Management discussion

Exploration and Production*

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	Segment IFRS results (HRK mln)	2009 Restated	2010	%
2,518	3,263	2,340	39.4	Revenues	8,694	10,882	25.2
858	1,366	346	294.7	Operating profit/(loss)	1,587	4,611	190.5
1,040	1,483	669	121.6	Operating profit excl. special items**	1,709	4,576	167.8
1,340	1,583	945	67.5	EBITDA	3,459	6,224	79.9
1,340	1,788	945	89.2	EBITDA excl. special items**	2,962	5,991	102.3
305	383	442	(13.3)	CAPEX	3,039	1,473	(51.5)

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Crosco Group, INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Podzemno skladište plina d.o.o. until 30 April 2009, Prirodni plin d.o.o.
** The 2010 performance was positively influenced by HRK 35 million special items. The redefinition of cash generating units resulted in HRK 334 million positive effects, while HRK 198 million provisions and HRK 101 million redundancy payments negatively influenced 2010.

Q3 2010	Q4 2010	Q4 2009	%	Hydrocarbon production (gross figures before royalty)*	2009	2010	%
208.7	**199.8**	**193.1**	3.4	**Crude oil production (kt)***	**777.0**	**799.4**	2.9
120.5	118.1	129.3	(8.6)	Croatia	525.8	478.3	(9.0)
41.8	39.9	17.5	128.4	Syria	62.1	146.0	135.0
25.5	22.5	25.7	(12.3)	Egypt	106.3	97.0	(8.7)
20.9	19.2	20.7	(7.2)	Angola**	82.8	78.0	(5.8)
657.8	**689.2**	**539.5**	27.7	**Natural gas production (mln cm, net dry)**	**2,068.2**	**2,602.4**	25.8
373.1	378.9	246.9	53.4	Croatia - offshore	876.6	1,407.4	60.5
220.1	228.5	241.3	(5.3)	Croatia - onshore	1,024.3	923.3	(9.9)
64.6	81.8	51.2	59.7	Syria	167.3	271.7	62.4
57.8	**70.8**	**62.4**	13.4	**Condensate (kt)**	**255.7**	**258.5**	1.1
16,782.7	16,262.8	15,573.1	4.4	Crude oil (Mboe/d)	15,782.7	16,336.1	3.5
6,235.7	7,586.7	7,211.4	5.2	Natural gas Condensate (Mboe/d)	7,447.1	7,170.2	(3.7)
42,094.0	44,099.5	34,516.5	27.8	Natural Gas (Mboe/d)	33,354.2	41,973.5	25.8
23,876.4	24,243.1	15,798.2	53.5	o/w: Croatia off-shore (Mboe/d)	14,137.5	22,699.6	60.6
65,112.4	**67,948.9**	**57,300.9**	**18.6**	**Total hydrocarbon production (Mboe/d)****	**56,584.0**	**65,479.7**	**15.7**

Q3 2010	Q4 2010	Q4 2009	%	Average realised hydrocarbon price***	2009	2010	%
68.5	77.1	64.0	20.4	Crude oil and condensate price (USD/bbl)	52.9	69.7	31.6
60.4	63.4	46.5	36.3	Total hydrocarbon price (USD/boe)*	46.3	59.2	27.9

* Excluding separated condensate
** Accounting methodology for Angolan crude production was changed in 2010 and 2009 data was modified for the purpose of comparison
*** Calculated based on total external sales revenue including natural gas selling price (discontinued operation) as well

Q3 2010	Q4 2010	Q4 2009	%	Natural Gas Trading (mln cm)	2009	2010	%
232.8	289.0	289.1	(0.0)	Natural gas imports (net dry)	1,044.2	1,214.3	16.3
538.0	963.4	900.9	6.9	Natural gas sales on domestic market (net dry)	2,778.0	3,026.2	8.9

Q3 2010	Q4 2010	Q4 2009	%	Natural gas price differential to import prices (HRK/000 m3) *	2009	2010	%
(387.64)	(333.03)	(485.30)	(31.4)	Eligible customers' price	(788.42)	(355.95)	(54.9)
(566.01)	(558.37)	(144.64)	286.0	Tariff customers' price	(790.55)	(396.68)	(49.8)
(408.00)	(403.55)	(317.73)	27.0	Total price	(792.19)	(369.67)	(53.3)

*Recalculated based on prices in HRK/m^3 for the purpose of providing comparable data.

Upstream operating profit, excluding special items, reached HRK 1,483 million in Q4 2010, **increasing by HRK 443 million**, compared to HRK 1,040 million operating profit in Q3 2010. Quarterly results were impacted by (1) 5.0% higher average hydrocarbon prices, (2) 4.4% increased hydrocarbon production and (3) 8.6% increased average production cost.

The Q4 operating profit, excluding special items shows a strong increase of HRK 814 million, over Q4 2009 figure. This favourable result is mainly coming from (1) strong 18.6% increase in average daily hydrocarbon production, as a result of the investments made into the key projects in the recent periods, (2) 36.3% increased total realised hydrocarbon price compensated by (3) the 9.9% higher average hydrocarbon production cost. The reported Q4 operating profit amounted to HRK 1,366 million and was negatively impacted by HRK 117 million special items.

Upstream operating profit, excluding special[3] items more than doubled in 2010 vs. 2009 and amounted to HRK 4,576 million. The main drivers for the profit improvement were (1) 15.7% higher hydrocarbon production driven by the increased Croatian offshore and Syrian gas production, (2) 27.9% better average realized hydrocarbon price after the continuous recovery of global economy, (3) negative contribution of the gas trading operations and (4) the achievements in the Company's effort on cost reduction resulting 4.6% lower unit opex. Reported 2010 operating profit amounted to HRK 4,611 million and was positively influenced by HRK 35 million special items including redefinition of cash generating units resulted in HRK 334 million positive effects, while HRK 198 million provisions and HRK 101 million redundancy payments negatively influenced 2010.

Average daily hydrocarbon production in 2010 was at 65,479 boe, up 15.7% compared to 2009 as the increasing contribution of the key development projects more than offset the production decrease of the maturing onshore oil and gas fields. INA's 2010 share of North Adriatic gas production increased by 60.6% compared to 2009 reflecting the additional production during previous quarters due to the start-up of Annamaria field in Q4 2009 and the favourable effect of the Production Share Agreement. Total 2010 production cost compared to 2009 was 4.6% lower supported by the 15.7% higher production quantities.

Croatian on-shore natural gas production decreased by 9.9%, due to the natural depletion. Natural gas production outside Croatia increased by 62.4% compared to 2009, after the start-up of the Oil and gas station Jihar in Syria. International crude production rose by 27.8%, compared to 2009 because of a higher production in Syria which compensated lower production in Egypt and Angola. Onshore domestic crude production declined by 9.0%.

Upstream revenues in 2010 increased by 25.2% compared to 2009 primarily as the result of (1) stronger hydrocarbon production coupled with (2) higher sales volumes, (3) higher average crude price and (4) favourable effect of weaker Kuna compared to 2009.

The average price of imported gas remained almost at the same level, decreasing only 0.3% in 2010 amounting to 2.131 HRK/m^3. The negative differential between the selling price of gas and the price of imported gas decreased by 53.3% in the reviewed period however gas trading activity still generated significant losses to the company. Additionally, natural gas supply contract was concluded with Italian ENI for the period of 3 years starting from 1 January 2011, which will provide greater flexibility of quantities and more favourable prices for INA. Meanwhile gas sales agreements with HEP, Petrokemija and tariff customers were signed for 2011 decreasing the gap between sales and import gas prices.

Exploration and Production segment's CAPEX in 2010 decreased by HRK 1,566 million to the amount of HRK 1,473 million, out of which HRK 890 million in Syria (o/w exploration HRK 115 million; development HRK 775), HRK 198 million on North Adriatic (o/w exploration HRK 5 million; development HRK 193 million), HRK 67 million in Egypt (o/w exploration HRK 16 million; development HRK 51 million), HRK 131 million in on-shore Croatia (o/w exploration HRK 24.4 million; development HRK 75.1 million; sustain HRK 31.2 million) and HRK 46 million in Angola (o/w exploration HRK 15 million; development HRK 31 million). This decrease was primarily result of lower 2010 investments for development operations in Syria and North Adriatic in comparison with 2009.
In Syria on Hayan block, building up of Stage 3, including Central gas station Jihar with LPG facilities and technological infrastructure for 4 fields - Jihar, Jazal, Al Mahr and Mazrur was completed and is currently in the testing phase. After completion of the testing this investment will allow significant increase production level in 2011. Since the beginning of the Syrian project INA has invested more than HRK 5.5 billion for gas exploration and production and infrastructure. During 2010 majority of drilling activities on the North Adriatic were completed and the construction of platforms at Isabella field was finished and prepared for production. By completing these investments INA has made HRK 4.6 billion investment into the North Adriatic project since its start up.
In the on-shore Croatia two successful discoveries were made, Dravica-1 discovery in the scope of the joint exploration project with MOL confirming the successful cooperation of the strategic partners and the second one, Selec-1 satellite oil field discovery made at the end of the year, being a smaller field with lower exploration risk close to the existing infrastructure. In Syria Aphamia block Beer As Sib-1 well was drilled and successfully tested with daily test results of 126-314 barrels of oil and 177–412 boe of gas. Drilling of Mudavara 3 exploration well in the same block was started in August; testing will be performed later. Due to the recent developments and events in Egypt INA temporarily suspended exploration works on Sidi Rahman exploration field. Production and operations at other fields in Egypt remain unaffected.

[3] Due to the redefinition of cash generating units corrections of impairment amounted to HRK 334 million. Now the contracts areas are cash generating units unlike the prior periods when it was production fields or countries.

*Refining and Marketing**

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	Segment IFRS results (HRK mln)	2009 Restated	2010	%
4,732	4,600	3,778	21.8	Revenues	13,454	15,774	17.2
(422)	(135)	(151)	(10.5)	Operating profit/(loss) reported	(621)	(879)	41.5
(202)	(56)	(96)	(41.6)	Operating profit/(loss) excl. special items**	(508)	(465)	(8.5)
(30)	9	(1)	n.a.	EBITDA	(66)	(133)	101.5
(30)	102	(1)	n.a.	EBITDA excl. special items**	(66)	75	n.a.
237	381	549	(30.6)	CAPEX and investments (w/o acquisition)	1,367	1,327	(2.9)

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb, Proplin, Crobenz, Osijek Petrol, InterIna Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA Hungary, FPC London, INA -Crna Gora, INA Beograd, INA Kosovo, Interina Holding London, Holdina Guernsey.
**The 2010 performance includes HRK 414 million negative special items comprising of HRK 115 million negative changes in value of inventories, HRK 93 million redundancy payments, HRK 142 million environmental provisions and the one-off impairment charge negatively influenced the result by HRK 64 million.

Q3 2010	Q4 2010	Q4 2009	%	Refinery processing (kt)	2009	2010	%
133	103	127	(19.1)	Domestic crude oil	538	459	(14.7)
1,151	749	910	(17.7)	Imported crude oil	4,007	3,562	(11.1)
34	35	33	6.8	Condensates	141	138	(2.2)
77	122	120	1.2	Other feedstock	330	291	(11.7)
1,396	**1,009**	**1,190**	**(15.2)**	**Total refinery throughput**	**5,016**	**4,450**	**(11.3)**
Q3 2010	**Q4 2010**	**Q4 2009**	**%**	**Refinery production (kt)**	**2009**	**2010**	**%**
298	237	263	(9.8)	Motor gasoline	1,048	958	(8.6)
385	212	278	(23.7)	Diesel	1,209	1,084	(10.3)
43	68	78	(12.7)	Heating oil	268	222	(17.2)
46	10	16	(35.3)	Kerosene	94	95	1.5
11	25	29	(15.2)	Naphtha	138	73	(47.1)
27	8	16	(49.0)	Bitumen	107	66	(38.0)
434	317	379	(16.3)	Other products*	1,581	1,441	(8.8)
1,245	**878**	**1,059**	**(17.1)**	**Total**	**4,444**	**3,939**	**(11.4)**
11	8	6	40.0	Refinery loss	27	35	28.9
140	123	126	(2.3)	Own consumption	544	475	(12.6)
1,396	**1,009**	**1,190**	**(15.2)**	**Total refinery production**	**5,016**	**4,450**	**(11.3)**
Q3 2010	**Q4 2010**	**Q4 2009**	**%**	**External refined product sales by country (kt)**	**2009**	**2010**	**%**
576	503	614	(18.1)	Croatia	2,562	2,049	(20.0)
132	128	125	2.2	B&H	502	443	(11.7)
518	431	379	13.6	Other markets	1,377	1,520	10.4
1,226	**1,061**	**1,119**	**(5.1)**	**Total**	**4,440**	**4,012**	**(9.6)**
Q3 2010	**Q4 2010**	**Q4 2009**	**%**	**External refined product sales by product (kt)**	**2009**	**2010**	**%**
312	263	282	(6.6)	Motor gasoline	1,075	1,011	(6.0)
389	315	309	1.9	Diesel	1,295	1,266	(2.3)
46	75	79	(5.5)	Heating oil	270	232	(14.2)
47	17	16	6.8	Kerosene	97	109	12.1
14	18	26	(28.2)	Naphtha	141	74	(47.6)
25	12	23	(46.8)	Bitumen	115	68	(40.9)
393	360	383	(6.1)	Other products*	1,447	1,254	(13.4)
1,226	**1,061**	**1,119**	**(5.1)**	**Total**	**4,440**	**4,012**	**(9.6)**
333	262	287	(8.5)	o/w Retail segment sales	1,232	1,125	(8.6)
893	799	832	(3.9)	o/w Direct sales to other end-users	3,208	2,887	(10.0)

*Other products = LPG, FCC gasoline, petrol components, other gasolines, benzene-rich cut. other diesel fuels and components, fuel oils and components, liquid sulphur, coke, motor oils. Ind, lubricants, base oils, spindle oil, waxes, blend. gas oil "M", atmosp, residue, intermediaries and other, 2009 data was grouped accordingly for the purpose of providing comparable data.

In Q4 2010 operating loss (excluding special items) of R&M segment amounted to HRK 56 million which was HRK 146 million lower compared to Q3 2010. Result was influenced mostly by still depressed demand due to the adverse local economic situation and partially compensated by improving external environment, i.e. improved world market prices. Recovery of the economic activity on the global markets which increased the energy demand and decreased products stocks, had a positive influence: average crack spread was 39% higher than in Q3 and amounted to 32.5 USD/t. Crack spread for Euro 95 V unleaded petrol increased by 23.8 % (133,2 USD/t) and crack spread on Eurodiesel V also increased by 24% (97.0 USD/t). The negative crack spread on fuel oil increased by 23.8% (-196.6 USD/t). In Q4 total sales decreased by 165 kt in line with seasonal demand (on domestic market 73 kt or 13% and in export 92 kt or 14%). Processing of crude has decreased by 387 kt due to lower regional market demand and production optimization, planned refinery turnarounds and improved inventory optimization policy in order to achieve lower working capital. The reported Q4 operating loss amounted to HRK 135 million and includes negative special items in the amount of HRK 79 million.

Compared to Q4 2009, operating loss (excluding special items) decreased by HRK 40 million due to (1) improved crack spreads partially (2) processing of Azeri type crude which gave better yield of white products and offset by (3) 5% lower sales.

In 2010, result from operations excluding special items of the division amounted to HRK 465 million loss of which was HRK 43 million lower compared to 2009. (1) Ongoing internal efficiency improvements, (2) higher yield of white products based on improved crude optimisation had a positive effect as well as (3) 32% higher average crack spreads. On the other hand (4) total sales volume decreased by 9.6%, as result of optimisation, mainly on fuel oil and bitumen production. Reported 2010 operating loss amounted to HRK 879 million, including HRK 414 million negative special items, of which HRK 115 million related to negative special effect of changes in value of inventories in Q2 2010, HRK 142 million negative effects of environmental provisions, HRK 93 million severance payments for redundancy and HRK 64 million for impairment.

External business environment was volatile in 2010. In comparison with the 2009, average price of crude oil increased by 28.9% (from 61.7 USD/bbl to 79.5 USD/bbl), while the average crack spread (FOB Med) increased by 32% (from 20.5 USD/t to 27.1 USD/t). Crack spread of the main products was increasing gradually: for gasoline, Euro 95 V spread increased from 116.4 USD/t to 127.7 USD/t; Eurodiesel V spread increased from 66.3 USD/t to 80.6 USD/t (still considerably below the level of 5 years average); LPG spread rose from 62.6 USD/t to 129.9 USD/t. The negative spread for black products improved considerably, especially for fuel oil (from -121.3 USD/t to -164.5 USD/t). Kuna was in average 4.2% weaker in 2010 against US dollar compared to 2009 which influenced positively the results.

Lower crude processing with improved product yield outlined the 2010 operations of the segment. Total refinery throughput was 11% lower due to (1) lower fuel demand in Croatia and neighboring countries, (2) Rijeka Refinery shutdowns during the planned turnaround in the first half of the year and refineries shutdowns in December. Both refineries processed Azeri light crude oil (1,251 kt), which gave better product yield (69% of white goods in 2010 compared to 67% in 2009). Sharp increase in the price difference between the Azeri and REB, which began in middle of November, reduced the attractiveness of Azeri crude as a partial replacement for the REB. At the beginning of the second quarter, production of EURO V quality derivates started as well as their distribution to the INA retail network and wholesale customers in Croatia and Bosnia.

In despite of lower demand, the total drop of sales is in line with total market development. Domestic market had the highest decrease of 20% (513 kt from which 320 kt is fuel oil and bitumen), while the exports increased by 4% (85 kt). There was decrease of total gasoline sales by 6%, diesel sales by 2.3%, and heating oil sales by 14.2%. On the other hand, INA kept its strong market position in Croatia and B&H.

Refinery modernisation programme was in focus of 2010 R&M capital investments with 910 mln HRK 70% of total HRK 1,327 million CAPEX (HRK 40 million lower than in 2009). **In Rijeka** three new facilities have been mechanically completed at the end of 2010 - Sulphur recovery plant (Claus), Mild hydrocracking / hydrodesulphurisation plant (MHC/HDS) and Hydrogen Generation unit (HGU). From 2011 Rijeka Refinery will produce only Euro-V standard gasoline and diesel fuel. Due to previous investments **Sisak Refinery** has been producing low-sulphur components for blending EURO-IV/V gasoline grades since 2009. At the end of the 2010, the third grass root plant, Izomerisation has been mechanically completed. Start up of the new unit is planned for Q1 2011 and it will improve the gasoline octane pool**.** As a result, until the end of 2010, almost HRK 4 billion was spend on the modernisation of refineries. These investments will bring INA in line with other European refineries transforming the company into one of the regional leaders in refining.
The projects scheduled for execution in the second phase of the refinery modernisation are in the preparation phase. The objectives of the 2nd phase modernisation are the reduction of heavy fuel oil production, improving the refineries' yield structure and profitability.

Retail Services*

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	Segment IFRS results (HRK mln)	2009 Restated	2010	%
2,005	1,548	1,367	13.3	Revenues	5,812	6,453	11.0
(53)	(43)	(80)	(46.5)	Operating profit/(loss)	(126)	(189)	50.0
67	(39)	(41)	(5.4)	Operating profit/(loss) excl. special items**	43	35	(18.6)
51	(48)	11	n.a.	EBITDA	183	82	(55.2)
98	(51)	11	n.a.	EBITDA excl. special items**	183	126	(31.1)
15	28	27	3.7	CAPEX and investments (w/o acquisition)	47	52	10.6

* Refers to Retail INA. d.d. and Petrol Rijeka and retail of subsidiaries: Proplin. Crobenz. Osijek Petrol. Interina Ljubljana. Holdina Sarajevo. INA - Crna Gora

**The 2010 performance was negatively influenced by HRK 224 million special items, of which HRK 44 million relates to redundancy payments, HRK 90 million to impairment and HRK 90 million for environmental provisions.

Q3 2010	Q4 2010	Q4 2009	%	Refined product retail sales (kt)	2009	2010	%
131	92	102	(9.8)	Motor gasoline	447	418	(6.5)
221	172	174	(0.9)	Gas and heating oils	746	715	(4.1)
12	10	15	(28.8)	LPG	56	44	(22.8)
1	1	1	(17.8)	Other products	4	3	(16.0)
365	**276**	**292**	**(5.5)**	**Total**	**1,254**	**1,180**	**(5.9)**

Q3 2010	Q4 2010	Q4 2009	%	Refined product retail sales (kt)	2009	2010	%
349	262	278	(5.8)	Croatia	1,199	1,124	(6.2)
12	9	9	2.4	B&H	39	40	1.3
4	4	4	0.7	Other markets	16	16	3.1
365	**276**	**292**	**(5.5)**	**Total**	**1,254**	**1,180**	**(5.9)**

Retail Services operating loss, excluding special items amounts to HRK 39 million in Q4 2010, what compares unfavourably with the Q3 2010 operating profit excluding special items of HRK 67 million. The main driver of the quarter-on-quarter result deterioration was a 24% drop in retail sales volumes in Q4 2010 mostly because of seasonal trend and record-high quotation levels. Reported Retail Services operating loss includes adjustments in the amount of HRK 4 million.

In comparison to Q4 2009, HRK 41 million operating loss excluding special items Q4 2010 result was HRK 2 million better. Negative effect of sales decrease by 5.5% or 16 kt was mitigated by cost saving measures and efficiency improvements resulting from organisational changes, i.e. establishment of 4 regions reducing the organisation complexity.

In 2010 Retail Services had HRK 35 million operating profit excluding special items. Sales decrease by 5.9% compared to 2009 had a negative effect on 2010 result which was partially mitigated with cost saving measures, efficiency improvements initiatives and introduction of Euro V quality over the entire domestic network ensuring a significant improvement in quality perception of INA. The reported operating loss (including special items) for the 2010 amounted to HRK 189 million vs. 126 million in 2009.

Total retail sales volumes consisted primarily of diesel fuels and motor gasoline sales. In 2010, INA Group experienced a 6.5% decrease in motor gasoline sales and 4.1% decrease in diesel sales, however with the slow improvement of economy diesel sales started to improve in the second half of 2010. LPG sales dropped by 22.8% reflecting an overall decreasing trend in LPG sales due to the increase of its sales price compared to the previous years. Average throughput per site was 5.2% down on 2010.

As of 31 December 2010 the retail services operated 476 petrol stations (of which 424 in Croatia, 45 in Bosnia-Herzegovina, 6 in Slovenia and 1 in Montenegro), what is a decrease of 12 petrol stations compared to 31 December 2009. The main reason for the decreased number of petrol stations was sale of 14 Crobenz's petrol stations.

Retail CAPEX amounted to HRK 52 million in 2010 compared to HRK 47 million in 2009. HRK 8 million was spent on newly constructed petrol station Galižana-East and beginning of construction of petrol station Galižana-West. The remaining amount of CAPEX was spent on minor projects such as technological and facility improvements, shop equipment, etc. New investment programme was started in Q4 2010 placing an increasing emphasis on the revitalisation and modernisation of the network in Croatia, starting the rebranding and redesign of the identity with 11 petrol stations.

INDUSTRIJA NAFTE, d.d.

Financial overview

Operations

Based on the Gas Master Agreement signed by the Government of the Republic of Croatia and MOL on 30 January 2009 and amended on 16 December 2009, the Croatian Government should have taken over the gas trading business before 1 December 2010. Since this has not happened and the ongoing negotiations do not yet indicate a revised timeline, this activity no longer meets the criteria for discontinued operations. Consequently, assets, liabilities, revenues and expenses are disclosed among continuing activities within the Exploration and Production segment. Comparative periods have been restated accordingly. The gas trading company generated losses from operations in 2010, although it was planned to operate without losses

The transaction of selling INA's 100% ownership in Crobenz d.d. ("Crobenz") to LUKOIL Croatia d.o.o. ("Lukoil") was completed on 30 September 2010. The sale process was initiated based on INA's obligation under the decision of the Croatian Competition Agency ("the Agency") of 9 June 2009. Following the signing of the First Amendment to the Shareholders Agreement between the Croatian Government and MOL on 30 January 2009, MOL's gaining the operational control over INA had been investigated by the Croatian Competition Agency, upon which the Agency passed its final Decision on 9 June 2009 approving the transaction under certain conditions including the sale of INA's 100% ownership in Crobenz. On 21 July 2010, INA d.d. signed a sale agreement with LUKOIL for the disposal of its 100% interest in Crobenz. As decided by the Croatian Market Competition Agency ("the Agency"), the sale was conducted by a trustee. At a meeting held on 29 July 2010 the Agency decided to approve the transaction implementing the mandate from its Resolution on the conditional approval of the MOL/INA concentration and it also granted the necessary clearance for the Lukoil/Crobenz concentration. Crobenz is active in the wholesale and retail trade in petroleum products. The Crobenz retail network consists of 14 service stations operating under the Crobenz brand.

Significant accounting judgements and estimates

INA Group reclassified income and costs of interests and foreign exchange differences of buyers and suppliers from financial activities to operating activities. In North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating unit. In Q3 and Q4 of 2009 INA Group has recalculated and recorded impairment losses and provisions, basis for which have incurred during the first half of the year. For the purpose of providing comparable financial data throughout the quarterly periods within 2009, mentioned adjustments were recorded to the relating period, instead of the period when they were identified.

The agreement between the major shareholders on the takeover of gas trading company by the Government was not reached by deadline as originally set out in the Amendment to the gas master agreement. The company no longer presents the gas trading business results as the results from discontinued activities.

Overall operations

In 2010, INA Group generated HRK 25.9 billion of net sales revenues[4] or 16% higher compared to the last year, mainly due to higher sales prices and volumes of natural gas and international crude oil (because of higher production). Additional positive effect came from introduction of new EURO V products.

During 2010 costs of raw materials and consumables rose by 17% over 2009, mainly because of 21% higher cost of imported crude as its average price rose by 36% (the average price of Brent FOB Med was up by 29% on the world market) while the volume of refined crude was 11% lower. The value of finished goods and WIP inventories rose by HRK 260 million compared to the opening balance, while as at 31 December 2009 it was lower by HRK 50 million. The cost of goods for resale decreased by 4% and amounted to HRK 3,991 million mainly due to lower purchase costs of imported natural gas sales and purchase value of shop products. Other material costs and costs of services were lower as a result of cost-cutting measures. Other material costs in the amount of HRK 2,086 million decreased by HRK 185 million because of lower rental fees and transportation costs. The costs of services decreased by HRK 77 million to HRK 1,514 million as a result of lower additionally approved discounts, intellectual services and insurance premium costs which was partly offset by HRK 126 million higher financial costs related to operations. Depreciation rose by 16% to HRK 1,750 million because of assets put in use upon completion of projects. Adjustments and provisions of HRK 1,167 million were HRK 338 million lower because of lower asset impairments and lower provisions for litigation which was partially offset by higher provisions for environment.

Total staff costs increased by 12% compared to 2009, primarily due to severance payments in accordance with the Workforce Restructuring Programme. The headcount as at 31 December 2010 was 14,719 – 9.7% down on the 31 December 2009 number (16,304). On 15 September 2010, the Management Board of INA d.d. passed a decision on the workforce surplus and launch of legally prescribed procedure with an objective to draw up a Workforce Restructuring Programme. The cost of the programme which

[4] Consolidated sales

included 1,500 employees and has facilitated the necessary changes in the structure and number of employees to preserve INA´s stability in a continuously challenging business environment amounted to HRK 389 million.

Financial activities in 2010 recorded a loss of HRK 810 million, a HRK 526 million increase on the 2009 loss. Higher financial costs are coming from the strong capex in the previous periods, which increased the indebtedness that peaked in 2010, and from weakening of the Kuna, additionally increasing the costs. Net forex losses on credit facilities amounted to HRK 423 million compared to HRK 145 million gains in 2009. The interest expense of HRK 156 million was 1 million up on 2009, primarily as a result of the negative effect of higher interests on short-term debt which was mainly offset by lower long-term debt interests. Other financial expenses amounted to HRK 231 million which was HRK 43 million lower compared to 2009 mainly due to higher loss on embedded derivates.
As a result of harmonisation with international practice, the interest and forex differences on trade debtors and creditors have been reclassified in INA's business books from financial activities to operating activities. For 2009 they had a negative impact of HRK 223 million, while their negative effect on 2010 operating profit amounted to HRK 400 million.

The profit tax for 2010 was HRK 365 million compared to HRK 95 million in 2009.

Balance sheet

As at 31 December 2010, total assets amounted to HRK 31.3 billion increased by 4% compared to 31 December 2009. Capital investments in the development of gas fields in the North Adriatic, Syria, refinery modernisation as well as redefinition of cash generating units resulted with 6% increased non-current tangible and intangible assets. Now the contract areas are cash generating units and not production fields or countries as in prior periods. Goodwill and investments in subsidiaries and joint ventures increased by HRK 107 million to HRK 609 million. Deferred taxes decreased by HRK 154 million and amounted to HRK 280 million.
The value of inventories amounted to HRK 3.2 million having grown by 9% primarily due to higher prices and higher volumes of stored up WIP inventories for starting up hydrocracking complex.
Although management made effort to collect overdue receivables net trade debtors, as at 31 December 2010, amounting to HRK 3.1 billion were up by 4% compared to 31 December 2009 as a result of the increasing price environment.
Total INA Group liabilities as at 31 December 2010 amounted to HRK 18.4 million and they were 1% higher than on 31 December 2009, mainly due to higher indebtedness which had grown to HRK 10.3 billion compared to HRK 8.5 billion as at 31 December 2009. Credit facilities were used to sustain significant level of investments and repay overdue liabilities towards the state, MOL and suppliers. Liabilities for taxes and contributions decreased by HRK 990 million to HRK 791 million due to the full settlement of overdue liabilities towards the state. Trade creditors decreased by HRK 504 million and amounted to HRK 3,782 million. Long-term and short-term provisions rose by HRK 212 million, with higher provisions for environment partly offset by lower well abandonment provisions.

INA Group total net debt amounted to HRK 10.0 billion compared to HRK 8.2 billion as at 31 December 2009 while the net gearing[5] rose from 40.9% to 43.8% as at 31 December 2010 indicating currently insufficient company capitalisation as a result of continuous massive capital investments in its key activities. The company gearing grew but stayed at manageable level.

Cash flow

In 2010, the operating cash flow before changes in working capital amounted to HRK 4,194 million, HRK 1,582 million up on 2009, primarily as a result of a stronger EBITDA. The changes of working capital decreased the cash flow from operating activities by HRK 2,550 million in 2010, primarily as a result of huge steps taken to reduce overdue liabilities which decreased trade creditors by HRK 2,123 million, higher value of inventories (mainly WIP) by HRK 372 million and HRK 55 million higher trade receivables.
Net outflows in investing activities amounted to HRK 2,864 million and were HRK 1,626 million down on 2009. A decrease is resulted by the nature of key projects, some of which are nearing completion, and for the reason of current market environment, financial position and own cash generation capabilities.
Continued investment in key projects and decreased cash flow form operations increased strongly external funding and cash inflows from financing activities amounted to HRK 971 million.

[5] Net debt / net debt plus equity incl. minority interests

Financial instruments and risk management

INA Group continuously detects and monitors financial risks (commodity risk, FX and interest rate risk) in its operation. Market Price Risk Management Policy (adopted in 2010) is providing the framework under which INA and its consolidated subsidiaries manage its commodity, foreign exchange and interest rate risk at an acceptable level, allowing the Group to achieve its strategic goals while protecting the company's future financial stability and flexibility. It integrates and measures all financial risks at group level in a model using Monte Carlo simulation while senior management reviews Financial Risk Reports monthly.
Beside financial (market) risks, the most important risks include the credit risk and the liquidity risk. The Group used derivative instruments for managing those risks to a very limited extent. The Group does not use derivative financial instruments for speculative purposes.

a) Market risk

Commodity price risk management

The Group purchases crude oil mostly through short-term arrangements in US dollars at spot market prices while the required quantities of gas are purchased at a price denominated in US dollars and adjusted on a quarterly basis in accordance with the formula in the long-term gas supply agreement which expired by the very end of 2010. New, 3-year supply contract is signed with Italian ENI.
INA is mostly engaged in the sale of refined products and wholesale of natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001) which, to a limited extent, hedging the Group from the changes in crude and oil product prices and the currency risk, enabling refinery products to be repriced, with certain limitations, bi-weekly (from 16 April 2010) depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.
The Group may use swap and option instruments in managing its commodity exposure. In late 2010 INA concluded short term commodity swap transaction for inventory hedging purposes. This transaction was initiated to reduce exposure to potential price movements during the refinery inventory build down.

Foreign currency risk management

While the Group operates home and abroad many company transactions are priced and denominated in foreign currency and it is thus exposed to currency risk.
The company applies natural hedge to manage its currency risk exposure based on the principle that the currency mix of the debt portfolio should reflect the free cash flow currency position of the Group.
The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 31 December 2010, there were no open cross currency transactions.
Additionally, the Refined Product Pricing Regulation enables the company to partly transfer the unfavourable movements of exchange rates to domestic products market.

Interest rate risk management

INA Group companies use borrowed funds at both fixed and variable interest rates (mostly variable) and the Group is consequently exposed to the interest rate risk. As an energy company, the Group does not speculate on interest rate developments and therefore primarily chooses floating rates. However, in case of certain instruments and macro environments, choosing fixed interest funds can be more advantageous
The Group may use interest rate swaps to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings. As of 31 December 2010, there were no open interest rate swap transactions.

Other price risks

The Group is exposed to equity price risks arising from equity investments held for strategic reasons and not for trading.

b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. Overdue receivables have a negative impact on INA Group's liquidity while provisions due to overdue receivables negatively effect results. According to existing Credit Risk Management Procedure, in dealing with its customers, Group applies risk categorisation, sets up credit limits and obtains collaterals as a means of mitigating the risk of financial loss from defaults. Debentures being the prevailing payment security instrument on the Croatian market are mainly taken as collateral.
There is no significant risk exposure of INA Group that would not be covered with collateral, other than those to the institutions and entities controlled by the state. Given that the Republic of Croatia is a major shareholder of the Group itself, credit risks to a significant extent depend on the policy of the Croatian Government.
The risk of collection of overdue debt from the customers is present especially in litigated receivables from customers in bankruptcy. Collection under lawsuits and bankruptcies are lengthy trials with uncertain outcomes, on which the Group has very limited control.

c) Liquidity risk

The Group's liquidity risk is managed by maintaining adequate reserves and credit lines and by continuous monitoring of projected and actual cash flow and due dates for amounts receivable and payable.
INA Group's policy is to ensure sufficient external funding sources with the goal of reaching sufficient level of committed credit lines frame available to cover INA Group liquidity as well as investments needs.

Till December 2010 crude oil and oil products were imported through INA d.d. foreign subsidiaries Interina London and Interina Guersney, while since December 2010 it is being imported directly by parent company (INA d.d.). In accordance with international practices crude is purchased by opening irrevocable documentary letters of credit in favour of the suppliers opened at first-class commercial banks and by using short-term financing (trade financing).

d) Fair value of financial instruments

The Group has concluded some long-term sale or purchase contracts that contain embedded derivatives as defined by IAS 39. An embedded derivative is a component of a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Related party transactions

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on Group level consolidation. Details of transactions between INA parent company and the Group companies are disclosed below.

INA parent company HRK mln	Amounts owed from related parties	Amounts owed to related parties
	31 December 2010	31 December 2010
Foreign related companies		
Interina Ltd Guernsey	-	128
Holdina Sarajevo	81	5
Interina d.o.o. Ljubljana	3	-
Interina Ltd London	-	2,183
Adriagas Milano	-	1
INA – Crna Gora d.o.o. Podgorica	15	-
INA – Beograd d.o.o. Beograd	7	-
Domestic related companies		
Crosco Grupa	2	50
Osijek Petrol d.d.	123	1
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	109	22
STSI d.o.o. Zagreb	8	173
Maziva Zagreb d.o.o. Zagreb	21	28
ITR d.o.o. Zagreb	-	14
Sinaco d.o.o. Zagreb	1	36
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	2,271	346

INA parent company HRK mln	Sales of goods	Purchase of goods
	31 December 2010	31 December 2010
Foreign related companies		
Interina Ltd Guernsey	2,815	280
Holdina Sarajevo	526	-
Interina d.o.o. Ljubljana	27	-
Interina Ltd London	6	10,666
Adriagas Milano	-	4
INA – Crna Gora d.o.o. Podgorica	55	-
INA – Beograd d.o.o. Beograd	100	-
Domestic related companies		
Crosco Grupa	7	124
Osijek Petrol d.d.	399	-
Crobenz d.d. Zagreb	334	2
Proplin d.o.o. Zagreb	498	-
STSI d.o.o. Zagreb	19	258
Maziva Zagreb d.o.o. Zagreb	95	8
ITR d.o.o. Zagreb	1	24
Sinaco d.o.o. Zagreb	3	124
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	3,970	235

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	(HRK mln)	2009 Restated	2010	%
				Sales			
2,518	3,263	2,340	39	Exploration & Production	8,694	10,882	25
4,732	4,600	3,778	22	Refining & Marketing	13,454	15,774	17
2,005	1,548	1,367	13	Retail	5,812	6,453	11
166	183	269	(32)	Corporate and Other	909	722	(21)
(2,229)	(2,237)	(1,786)	25	Inter-segment revenue	(6,538)	(7,968)	22
7,192	**7,357**	**5,968**	**23**	**Sales**	**22,331**	**25,863**	**16**
				Operating expenses, net other income from operating activities			
(1,660)	(1,897)	(1,994)	(5)	Exploration & Production	(7,107)	(6,271)	(12)
(5,154)	(4,735)	(3,929)	21	Refining & Marketing	(14,075)	(16,653)	18
(2,058)	(1,591)	(1,447)	10	Retail	(5,938)	(6,642)	12
(288)	(600)	(613)	(2)	Corporate and Other	(1,954)	(2,138)	9
2,229	2,237	1,786	25	Inter-segment eliminations	6,538	7,968	22
(6,931)	**(6,586)**	**(6,197)**	**6**	**Expenses**	**(22,536)**	**(23,736)**	**5**
				Profit from operations			
858	1,366	346	295	Exploration & Production	1,587	4,611	191
(422)	(135)	(151)	(11)	Refining & Marketing	(621)	(879)	42
(53)	(43)	(80)	(46)	Retail	(126)	(189)	50
(122)	(417)	(344)	21	Corporate and Other	(1,045)	(1,416)	36
7	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
268	**771**	**(229)**	**n.a.**	**Profit/(loss) from operations**	**(205)**	**2,127**	**n.a.**
				Share in the profit of associate companies			
557	**(263)**	**(184)**	**43**	**Net profit/(loss) from financial activities**	**(284)**	**(810)**	**185**
825	**508**	**(413)**	**n.a.**	**Profit/(loss) before taxation**	**(489)**	**1,317**	**n.a.**
(158)	(115)	28	n.a.	Income tax	95	(365)	n.a.
667	**393**	**(385)**	**n.a.**	**Profit/(loss) for the period**	**(394)**	**952**	**n.a.**

Sales data include intra-group sales and related costs are included in the operating costs of the business segment making the purchase. Intra-group transactions are eliminated for consolidated sales data and operating costs.

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	Operating Profit Excluding Special Items (HRK mln)	2009 Restated	2010	%
1,040	1,483	669	122	Exploration & Production	1,709	4,576	168
(202)	(56)	(96)	(42)	Refining & Marketing	(508)	(465)	(8)
67	(39)	(41)	(5)	Retail	43	35	(19)
66	(451)	(358)	26	Corporate and Other	(992)	(1,262)	27
7	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
978	**937**	**174**	**438**	**Total**	**252**	**2,884**	**n.a.**

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	Depreciation (HRK mln)	2009 Restated	2010	%
314	249	210	19	Exploration & Production	951	1,160	22
86	91	77	18	Refining & Marketing	297	331	11
23	23	31	(27)	Retail	108	93	(14)
41	41	29	42	Corporate and Other	151	166	10
464	**404**	**347**	**16**	**Total**	**1,507**	**1,750**	**16**

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	EBITDA* (HRK mln)	2009 Restated	2010	%
1,340	1,583	945	67	Exploration & Production	3,459	6,224	80
(30)	9	(1)	n.a.	Refining & Marketing	(66)	(133)	102
51	(48)	11	n.a.	Retail	183	82	(55)
107	(488)	(274)	78	Corporate and Other	(769)	(1,129)	47
7	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,475	**1,056**	**681**	**55**	**Total**	**2,807**	**5,044**	**80**

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	EBITDA Excluding Special Items* (HRK mln)	2009 Restated	2010	%
1,340	1,788	945	89	Exploration & Production	2,962	5,991	102
(30)	102	(1)	n.a.	Refining & Marketing	(66)	75	n.a.
98	(51)	11	n.a.	Retail	183	126	(31)
107	(338)	(274)	23	Corporate and Other	(769)	(979)	27
7	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,522	**1,501**	**681**	**120**	**Total**	**2,310**	**5,213**	**126**

** EBITDA = EBIT + Depreciation + Impairment + Provisions*

INDUSTRIJA NAFTE, d.d.

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED INCOME STATEMENT
Period ended 31 December 2009 and 2010
(All amounts in HRK millions)

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%		2009 Restated	2010	%
				Sales revenue			
4,134	4,380	3,669	19	a) Domestic	14,212	15,698	10
3,058	2,977	2,299	29	b) Exports	8,119	10,165	25
7,192	**7,357**	**5,968**	**23**	**Total sales revenue**	**22,331**	**25,863**	**16**
77	91	82	11	Income from own consumption of products and services	189	366	94
186	156	384	(59)	Other operating income	1,623	1,588	(2)
7,455	**7,604**	**6,434**	**18**	**Total operating income**	**24,143**	**27,817**	**15**
(18)	(395)	(288)	37	Changes in inventories of finished products and work in progress	(50)	260	n.a.
(3,957)	(2,762)	(2,770)	(0)	Cost of raw materials and consumables	(10,461)	(12,288)	17
(464)	(404)	(346)	17	Depreciation and amortization	(1,507)	(1,750)	16
(700)	(590)	(592)	(0)	Other material costs	(2,271)	(2,086)	(8)
126	(422)	(423)	(0)	Service costs	(1,591)	(1,514)	(5)
(671)	(1,063)	(707)	50	Staff costs	(2,808)	(3,154)	12
(760)	(1,316)	(973)	35	Cost of other goods sold	(4,155)	(3,991)	(4)
(24)	(55)	(509)	(89)	Impairment and charges	(1,256)	(567)	(55)
(719)	174	(55)	n.a.	Provisions for charges and risks	(249)	(600)	141
(7,187)	**(6,833)**	**(6,663)**	**3**	**Operating expenses**	**(24,348)**	**(25,690)**	**6**
268	**771**	**(229)**	**n.a.**	**Profit from operations**	**(205)**	**2,127**	**n.a.**
				Share in the profit of associated companies			
11	(4)	(81)	(95)	Finance revenue	203	68	(67)
546	(259)	(103)	151	Finance costs	(487)	(878)	80
557	**(263)**	**(184)**	**43**	**Net (loss) / profit from financial activities**	**(284)**	**(810)**	**185**
825	**508**	**(413)**	**n.a.**	**Profit before tax**	**(489)**	**1,317**	**n.a.**
(158)	(115)	28	n.a.	Income tax	95	(365)	n.a.
667	**393**	**(385)**	**n.a.**	**Profit / (Loss) for the year**	**(394)**	**952**	**n.a.**
				Attributable to			
668	398	(382)	n.a.	Equity holders of the parent	(392)	958	n.a.
(1)	(5)	(3)	57	Minority interest	(2)	(6)	185
667	**393**	**(385)**	**n.a.**		**(394)**	**952**	**n.a.**
				Earning per share (in HRK)			
66.8	39.8	(38.2)	n.a.	Basic and diluted earnings/(loss) per share (kunas per share) from all operations	(39.2)	95.8	n.a.

INA Group Condensed Consolidated Statement of comprehensive Income

Q3 2010 Restated	Q4 2010	Q4 2009 Restated	%	(HRK mln)	2009 Restated	2010	%
667	**393**	**(385)**	**n.a.**	**Profit/(loss) for the year**	**(394)**	**952**	**n.a.**
				Other comprehensive income:			
(19)	8	19	(58)	Exchange differences arising from foreign operations	4	29	n.a.
14	29	31	(6)	Gains on available-for-sale investments, net	145	17	(88)
(5)	**37**	**50**	**(26)**	**Other comprehensive income/(loss), net**	**149**	**46**	**(69)**
662	**430**	**(335)**	**n.a.**	**Total comprehensive income/(loss) for the year**	**(245)**	**998**	**n.a.**
				Attributable to:			
663	435	(332)	n.a.	Owners of the Company	(243)	1,004	n.a.
(1)	(5)	(3)	57	Non- controling interests	(2)	(6)	185

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Period ended 31 December 2009 and 2010
(All amounts in HRK millions)

(mil. kn)	31 Dec 2009	31 Dec 2010	%
Assets			
Non-current assets			
Intangible assets	731	848	16
Property, plant and equipment	20,353	21,547	6
Goodwill	296	232	(22)
Investments in associates and joint ventures	68	21	(69)
Other investments	138	356	158
Long-term receivables	385	240	(38)
Derivative financial instruments	0	4	n.a.
Deferred tax	434	280	(35)
Available for sale assets	397	417	5
Total non-current assets	**22,802**	**23,945**	**5**
Current assets	0	0	
Inventories	2,887	3,157	9
Trade receivables net	2,925	3,052	4
Other receivables	805	585	(27)
Derivative financial instruments	56	1	(98)
Other current assets	32	40	25
Prepaid expenses and accrued income	72	141	96
Cash and cash equivalents	367	317	(14)
Current assets	**7,144**	**7,293**	**2**
Assets classified as held for sale	121	12	(90)
Current assets	**7,265**	**7,305**	**1**
Total assets	**30,067**	**31,250**	**4**
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Revaluation reserve	10	27	170
Other reserves	2,311	2,340	1
Retained earnings / (Deficit)	463	1,421	207
Equity attributable to equity holder of the parent	**11,784**	**12,788**	**9**
Non-controlling interests	8	2	(75)
Total equity	**11,792**	**12,790**	**8**
Non-current liabilities			
Long-term loans	5,764	7,323	27
Other non-current liabilities	139	125	(10)
Employee benefits obligation	126	128	2
Provisions	2,573	2,620	2
Total non-current liabilities	**8,602**	**10,196**	**19**
Current liabilities			
Bank loans and overdrafts	2,104	1,659	(21)
Current portion of long-term debt	655	1,295	98
Trade payables	4,286	3,782	(12)
Taxes and contributions	1,781	791	(56)
Other current liabilities	415	200	(52)
Accruals and deferred income	157	127	(19)
Employee benefits obligation	17	16	(6)
Provisins	229	394	72
Current liabilities	**9,644**	**8,264**	**(14)**
Liabilities directly associated with assets classified held for sale	29	0	n.a.
Total current liabilities	**9,673**	**8,264**	**(15)**
Total liabilities	**18,275**	**18,460**	**1**
Total equity and liabilities	**30,067**	**31,250**	**4**

INDUSTRIJA NAFTE, d.d.

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 31 December 2009 and 2010
(All amounts in HRK millions)

	2009 Restated	2010	%
Profit/(loss) for the year	**(394)**	**952**	**n.a.**
Adjustments for:			
Depreciation and amortisation	1,507	1,750	16
Income tax (benefit)/expenses recognized in (loss)/profit	(95)	365	n.a.
(Gain) / loss over / under lifting receivable	0	0	n.a.
Impairment charges (net) and reversal impairment	1,256	567	(55)
Reversal of impairment	(128)	(714)	458
Gain on sale of property, plant and equipment	(10)	(8)	(20)
Gain on sale investments and shares	0	(11)	n.a.
Foreign exchange loss/(gain)	(79)	531	n.a.
Interest expense (net)	184	156	(15)
Other financial expense recognised in profit	149	87	(42)
Increase in provisions	50	383	666
Net book value of sold assets classified as held for sale	42	0	n.a.
Decommissioning interests	126	144	14
Change in provision for charges and risks and other non-cash items	4	(8)	n.a.
Operating cash flow before working capital changes	**2,612**	**4,194**	**61**
Movements in working capital			
(Increase)/decrease in inventories	(269)	(372)	38
(Increase)/decrease in receivables and prepayments	(170)	(55)	(68)
(Decrease)/increase in trade and other payables	812	(2,123)	n.a.
(Decrease)/increase in provisions	0	0	n.a.
Cash generated from operations	**2,985**	**1,644**	**(45)**
Taxes paid	(25)	(26)	4
Net cash inflow from operating activities	**2,960**	**1,618**	**(45)**
Cash flows used in investing activities			
Payments for property, plant and equipment	(4,183)	(2,439)	(42)
Payment for intangible assets	(163)	(205)	26
Proceeds from sale of non-current assets	15	10	(33)
Investments of subsidiaries	0	0	n.a.
Payments from sale of subsidiaries	0	(39)	n.a.
Acquisition of investments in associates and joint ventures and other companies	(103)	0	n.a.
Proceeds from sale of investments	0	0	n.a.
Dividends received from companies classified as available for sale and from other companies	3	3	0
Interest received	0	21	n.a.
Investments and loans to third parties, net	(59)	(215)	264
Net cash used for investing activities	**(4,490)**	**(2,864)**	**(36)**
Cash flows from financing activities			
Additional long-term borrowings	2,044	2,825	38
Repayment of long-term borrowings	(120)	(885)	638
Additional short-term borrowings	8,705	10,466	20
Repayment of short term borrowings	(9,127)	(11,156)	22
Interest paid on long-term loans	(70)	(32)	(54)
Other long-term liabilities, net	(8)	(8)	0
Dividends paid	0	0	n.a.
Interest paid on short term loans and other financing charges	(103)	(239)	132
Net cash from financing activities	**1,321**	**971**	**(26)**
Net (decrease)/increase in cash and cash equivalents	(209)	(275)	32
At 1 January	579	367	(37)
Effect of foreign exchange rate changes	(3)	225	n.a.
At the end of period	367	317	(14)

INDUSTRIJA NAFTE, d.d.

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 December 2009 and 2010
(All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Profit / loss for the year	0	0	0	(392)	(392)	(2)	(394)
Other comprehensive income, net	0	4	145	0	149	0	149
Total comprehensive income for the year	0	4	145	(392)	(243)	(2)	(245)
Dividends payable	0	0	0	0	0	0	0
Balance as at 31 December 2009	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit / loss for the year	0	0	0	958	958	(6)	952
Other comprehensive income, net	0	29	17	0	46	0	46
Total comprehensive income for the year	0	29	17	958	1,004	(6)	998
Dividends payable	0	0	0	0	0	0	0
Balance as at 31 December 2010	**9,000**	**2,340**	**27**	**1,421**	**12,788**	**2**	**12,790**

INDUSTRIJA NAFTE, d.d.

Capital Expenditure

Q3 2010	Q4 2010	Q4 2009	%	Capital Expenditures (HRK mln)	2009.	2010	%
305	383	442	(13)	Exploration & Production	3,039	1,473	(52)
237	381	549	(31)	Refining & Marketing	1,367	1,327	(3)
15	28	27	4	Retail	47	52	11
2	31	9	244	Corporate & other	51	38	(25)
559	**823**	**1,027**	**(20)**	**Total**	**4,504**	**2,890**	**(36)**

Q3 2010	Q4 2010	Q4 2009	%	Capital Expenditures - Tangible Assets (HRK mln)	31 Dec 2009	31 Dec 2010	%
274	309	459	(33)	Exploration & Production	2,902	1,293	(55)
237	381	548	(30)	Refining & Marketing	1,365	1,327	(3)
15	27	27	0	Retail	46	51	11
2	10	4	150	Corporate & other	36	14	(61)
528	**727**	**1,038**	**(30)**	**Total**	**4,349**	**2,685**	**(38)**

Main external parameters

Q3 2010	Q4 2010	Q4 2009	%	(HRK mln)	2009	2010	%
76.9	86.5	74.6	16.0	Brent dtd (USD/bbl)	61.7	79.5	28.9
689.0	787.4	677.5	16.2	Premium unleaded gasoline 10 ppm (USD/t)*	583.0	728.9	25.0
659.9	751.2	618.8	21.4	Gas oil – ULSD 10 ppm (USD/t)*	532.8	681.8	28.0
422.6	457.6	433.3	5.6	Fuel oil 3,5% (USD/t)*	345.3	436.7	26.5
651.0	894.9	667.2	34.1	LPG (USD/t)*	529.1	731.1	38.2
23.4	32.5	20.8	56.3	Average crack spread	20.5	27.1	32.2
107.6	133.2	113.4	17.5	Crack spread – premium unleaded (USD/t)*	116.4	127.7	9.7
78.4	97.0	54.8	77.0	Crack spread – gas oil (USD/t)*	66.3	80.6	21.7
(158.8)	(196.6)	(130.8)	50.3	Crack spread - fuel oil 3,5% (USD/t)*	(121.3)	(164.5)	35.7
69.6	240.7	103.2	133.3	Crack spread - UNP (USD/t)*	62.6	129.9	107.6
5.62	5.42	4.92	10.3	HRK/USD average	5.28	5.50	4.2
5.36	5.57	5.09	9.4	HRK/USD closing	5.09	5.57	9.4
7.25	7.36	7.27	1.2	HRK/EUR average	7.34	7.29	(0.7)
7.29	7.39	7.31	1.1	HRK/EUR closing	7.31	7.39	1.1
0.39	0.29	0.27	9.1	3m USD LIBOR (%)	0.69	0.34	(49.9)
0.87	1.02	0.72	41.4	3m EURIBOR (%)	1.22	0.81	(33.2)

** FOB Mediterranean*

INDUSTRIJA NAFTE, d.d.

Announcements in 2010

February 14, 2011	Rijeka refinery modernisation first phase completed
February 10, 2011	Management Board members appointed
January 17, 2011	Supervisory Board meeting held
January 17, 2011	Extraordinary general assembly held
January 07, 2011	Selec – 1 satellite oil field discovery
January 04, 2011	Shares disposal
December 29, 2010	Contracts signed
December 22, 2010	Response to the Zagreb Stock Exchange request
December 21, 2010	Announcement
December 16, 2010	New Gas supplier selected
December 14, 2010	Announcement
December 14, 2010	To continue trading
December 08, 2010	Extraordinary Shareholders
December 03, 2010	Hanfa's Decision on temporary suspension of trading
December 02, 2010	MOL Plc. Announcement
October 29, 2010	Third quarter 3Q; unaudited, consolidated, 2010
October 29, 2010	Third quarter 3Q; unaudited, non-consolidated, 2010
October 18, 2010	Organizational and personnel changes in INA
October 01, 2010	Sale of 100% ownership in Crobenz d.d. completed
September 16, 2010	INA Group starts with restructuring program
September 08, 2010	€ 210 million loan to INA-Industrija nafte, d.d.
July 30, 2010	Sale of 100% ownership in Crobenz d.d.
July 30, 2010	Semi-annual report 1H;unaudited, consolidated, 2010
June 23, 2010	INA and MOL discover gas on the Podravska Slatina-Zalata concession
June 02, 2010	Agreement on the total repayment of Dioki, d.d. overdue debt
May 21, 2010	Response to the Zagreb Stock Exchange query of 21 May 2010
May 19, 2010	General Meeting decisions
May 17, 2010	The commencement of the sale procedure of the whole Crobenz d.d.
May 04, 2010	Spud-in of Beer As Sib exploration well on Aphamia Block in Syria
May 03, 2010	First quarter 1Q; unaudited, consolidated, 2010
May 03, 2010	First quarter 1Q; unaudited, non-consolidated, 2010
April 19, 2010	General Meeting decisions
April 08, 2010	Sale of 100% ownership in Crobenz d.d
April 07, 2010	General Meeting notice
April 06, 2010	Changes in management board
April 06, 2010	Annual report 1Y; audited, consolidated, 2009
March 12, 2010	General Meeting notice
March 01, 2010	Announcement
March 01, 2010	Announcement about Management Board changes
February 15, 2010	Preliminary unaudited consolidated results for 2009
February 05, 2010	Response to Zagreb Stock Exchange query
January 19, 2010	Announcement
January 18, 2010	Natural gas price

INA. d.d. Shareholders structure by number of shares

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 March 10	30 June 10	30 Sept 10	31 Dec 10
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,715,538	4,715,538	4,715,538
Government of the Republic of Croatia	5,180,367	4,484,918	4,483,552	4,483,552	4,483,552	4,483,552	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,910	800,910	800,910	800,910	800,910	800,910
Total	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**

Changes in organisation, Management Board or Supervisory Board

Supervisory Board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on January 17, 2011 Ivan Šuker, Tomislav Ivić and Božidar Pankretić were recalled and Davor Štern, Gordana Sekulić and Damir Vanđelić were appointed supervisory board members with the term of office until 13 June 2013. At the meeting held on January 17, 2011 the Supervisory Board of INA-INDUSTRIJA NAFTE d.d. Zagreb appointed Mr Davor Štern a new Chairman of the Supervisory Board. At the previous Extraordinary General meeting on 19 April 2010 Mr Jozsef Molnar was appointed supervisory board member with the term of office until 13 June 2013.

Management Board

At the meeting held on 31 March 2010 INA-INDUSTRIJA NAFTE d.d. the Supervisory Board acknowledged the resignation of Mr. László Geszti from his duty as President of the Management Board of INA. d.d. and unanimously elected Mr Zoltán Áldott as new President of the Management Board of the company commencing as of April 1st 2010 with a five year term of office (at the same time acknowledging his resignation from his membership in the Supervisory Board of INA).
During the circular voting procedure INA Supervisory Board appointed three new members of INA Management Board. The new members of INA Management Board are Niko Dalić, Ivan Krešić and Davor Mayer, all three appointed with the mandate starting from 11th February 2011 until 1st April 2015. At the same session Tomislav Dragičević, Josip Petrović and Dubravko Tkalčić were recalled from the duty of the members of INA Management Board as of 10th February 2011. Besides, the term of office of Mr. Attila Holoda and Mr. Lajos Alacs as members of INA Management Board is extended for the period until April 1st, 2015.

Executive Board

At the meeting held on October 13, 2010, the Management Board of INA, d.d. made decisions on changes within the company related to positions and the number of Executive Directors which is to be decreased from seven to six. As of October 31, 2010 Mr. László Bartha left his position of the Executive Director for Retail. Mr. Darko Markotić has been appointed Executive Director for Retail as of November 1, 2010 and at the same time relieved of duty of the Executive Director for Corporate Services as of October 31, 2010. Corporate Services was cancelled while Corporate Center changed its name into Corporate Services. Mr. Berislav Gašo has been appointed Executive Director of the Corporate Services as of November 1, 2010 and at the same time relieved of duty of the Executive Director of Corporate Centre as of October 31, 2010. Executive Director for Corporate Processes Mr. Tomislav Thür, Executive Director for Finance Mr. András Huszár and Executive Director for Refining and Marketing Mr. Peter Chmurčiak remained on the same positions while Mr. Bojan Milković remained the Executive Director for Upstream as well as the Chief Executive Officer of INA d.d.

Management representation

INA Group's consolidated financial statements for Q4 and 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS). i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows of INA Group.

Management Board:

Zoltán Áldott	President of INA, d.d. Board
Lajos Alács	Member
Niko Dalić	Member
Attila István Holoda	Member
Ivan Krešić	Member
Davor Mayer	Member

INA Group
Condensed Interim Financial Statements with Notes for the period ended 31 December 2010

Finance Function
Accounting and Tax Sector

Contents

INA Group Condensed Consolidated Income Statement

For the period ended 31 December 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Twelve months ended: 31 December 2010	Twelve months ended: 31 December 2009	Three months ended: 31 December 2010	Three months ended: 31 December 2009
Sales revenue					
a) domestic		15,698	14,212	4,380	3,669
b) exports		10,165	8,119	2,977	2,299
Total sales revenue	4	**25,863**	**22,331**	**7,357**	**5,968**
Income from own consumption of products and services		366	189	91	82
Other operating income		1,588	1,623	156	384
Total operating income		**27,817**	**24,143**	**7,604**	**6,434**
Changes in inventories of finished products and work in progress		260	(50)	(395)	(288)
Cost of raw materials and consumables		(12,288)	(10,461)	(2,762)	(2,770)
Depreciation and amortisation		(1,750)	(1,507)	(404)	(346)
Other material costs		(2,086)	(2,271)	(590)	(592)
Service costs		(1,514)	(1,591)	(422)	(423)
Staff costs		(3,154)	(2,808)	(1,063)	(707)
Cost of other goods sold		(3,991)	(4,155)	(1,316)	(973)
Impairment and charges (net)		(567)	(1,256)	(55)	(509)
Provision for charges and risks (net)		(600)	(249)	174	(55)
Operating expenses		**(25,690)**	**(24,348)**	**(6,833)**	**(6,663)**
Profit from operations		**2,127**	**(205)**	**771**	**(229)**
Finance income		68	203	(4)	(81)
Finance costs		(878)	(487)	(259)	(103)
Net (loss)/profit from financial activities		**(810)**	**(284)**	**(263)**	**(184)**
Profit/(loss) before tax		**1,317**	**(489)**	**508**	**(413)**
Income tax expense/(benefit)	6	(365)	95	(115)	28
Profit/(loss) for the year		**952**	**(394)**	**393**	**(385)**

INA Group Condensed Consolidated Income Statement

For the period ended 31 December 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Twelve months ended: 31 December 2010	Twelve months ended: 31 December 2009	Three months ended: 31 December 2010	Three months ended: 31 December 2009
Attributable to:					
Owners of the Company		**958**	**(392)**	**398**	**(382)**
Non-controling interests		(6)	(2)	(5)	(3)
		952	**(394)**	**393**	**(385)**
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share (kunas per share)	7	95.8	(39.2)	39.8	(38.2)

INA Group Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 December 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Twelve months ended: 31 December 2010	Twelve months ended: 31 December 2009	Three months ended: 31 December 2010	Three months ended: 31 December 2009
Profit/(loss) for the year		**952**	**(394)**	**393**	**(385)**
Other comprehensive income/(loss):					
Exchange differences arising from foreign operations		29	4	8	19
Gains on available-for-sale investments,net		17	145	29	31
Other comprehensive income/(loss), net		**46**	**149**	**37**	**50**
Total comprehensive income/(loss) for the year		**998**	**(245)**	**430**	**(335)**
Attributable to:					
Owners of the Company		1,004	(243)	435	(332)
Non-controling interests		(6)	(2)	(5)	(3)

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Statement of Comprehensive Income.

INA Group Condensed Consolidated Statement of Financial Position

At 31 December 2010

(all amounts in HRK millions)

(unaudited)

ASSETS	**Notes**	**31 December 2010**	**31 December 2009**
Non-current assets			
Intangible assets	8	848	731
Property, plant and equipment	9	21,547	20,353
Goodwill		232	296
Investments in associates and joint ventures		21	68
Other investments	10	356	138
Long-term receivables		240	385
Derivative financial instruments		4	-
Deferred tax		280	434
Available for sale assets		417	397
Total non – current assets		**23,945**	**22,802**
Current assets			
Inventories		3,157	2,887
Trade receivables, net		3,052	2,925
Other receivables		585	805
Derivative financial instruments		1	56
Other current assets		40	32
Prepaid expenses and accrued income		141	72
Cash and cash equivalents		317	367
		7,293	**7,144**
Assets classified as held for sale	17	12	121
Total current assets		**7,305**	**7,265**
TOTAL ASSETS		**31,250**	**30,067**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Statement of Financial Position.

(all amounts in HRK millions)

EQUITY AND LIABILITIES	**Notes**	**31 December 2010**	**31 December 2009**
Capital and reserves			
Share capital	11	9,000	9,000
Revaluation reserve	12	27	10
Other reserves		2,340	2,311
Retained earnings	13	1,421	463
Equity attributable to equity holders of the parent		**12,788**	**11,784**
Non - controlling interests		2	8
TOTAL EQUITY		**12,790**	**11,792**
Non – current liabilities			
Long-term loans	14	7,323	5,764
Other non-current liabilities		125	139
Employee benefit obligation		128	126
Provisions	16	2,620	2,573
Total non–current liabilities		**10,196**	**8,602**
Current liabilities			
Bank loans and overdrafts	15	1,659	2,104
Current portion of long-term loans	15	1,295	655
Trade payables		3,782	4,286
Taxes and contributions		791	1,781
Other current liabilities		200	415
Accruals and deferred income		127	157
Employee benefit obligation		16	17
Provisions	16	394	229
		8,264	9,644
Liabilities directly associated with assets classified held for sale	17	-	29
Total current liabilities		**8,264**	**9,673**
TOTAL LIABILITIES		**18,460**	**18,275**
TOTAL EQUITY AND LIABILITIES		**31,250**	**30,067**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Statement of Financial Position.

INA Group Condensed Consolidated Statement of Changes in Equity

For the period ended 31 December 2010

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Loss for the year	-	-	-	(392)	(392)	(2)	(394)
Other comprehensive income, net	-	4	145	-	149	-	149
Total comprehensive loss for the year	**-**	**4**	**145**	**(392)**	**(243)**	**(2)**	**(245)**
Balance at 31 December 2009	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Balance at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit for the year	-	-	-	958	958	(6)	952
Other comprehensive income, net	-	29	17	-	46	-	46
Total comprehensive income for the year	**-**	**29**	**17**	**958**	**1,004**	**(6)**	**998**
Balance at 31 December 2010	**9,000**	**2,340**	**27**	**1,421**	**12,788**	**2**	**12,790**

The accompanying accounting policies notes form an integral part of this Condensed Consolidated Statement of Changes in Equity.

INA Group Condensed Consolidated Cash Flow Statement

For the period ended 31 December 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Twelve months ended: 31 December 2010	31 December 2009
Profit/(loss) for the year		**952**	**(394)**
Adjustments for:			
Depreciation and amortisation		1,750	1,507
Income tax (benefit)/expense recognized in (loss)/profit		365	(95)
Impairment charges (net)		567	1,256
Reversal of impairment		(714)	(128)
Gain on sale of property, plant and equipment		(8)	(10)
Gain on sale investments and shares		(11)	-
Foreign exchange loss/(gain)		531	(79)
Interest expense (net)		156	184
Other finance expense recognised in profit		87	149
Increase in provisions		383	50
Net book value of sold assets classified as held for sale		-	42
Decommisioning interests		144	126
Change in provision for charges and risks and other non-cash items		(8)	4
		4,194	**2,612**
Movements in working capital			
(Increase) in inventories		(372)	(269)
(Increase) in receivables and prepayments		(55)	(170)
(Decrease) / increase in trade and other payables		(2,123)	812
Cash generated from operations		**1,644**	**2,985**
Taxes paid		(26)	(25)
Net cash inflow from operating activities		**1,618**	**2,960**
Cash flows used in investing activities			
Payments for property, plant and equipment		(2,439)	(4,183)
Payments for intangible assets		(205)	(163)
Proceeds from sale of non-current assets		10	15
Payments from sale of subsidiaries		(39)	-
Aquisition of subsidiaries		-	(103)
Dividends received from companies classified as available for sale and from other companies		3	3
Interest received		21	-
Investments and loans to third parties, net		(215)	(59)
Net cash used for investing activities		**(2,864)**	**(4,490)**

INA Group Condensed Consolidated Cash Flow Statement

For the period ended 31 December 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Twelve months ended: 31 December 2010	31 December 2009
Cash flows from financing activities			
Additional long-term borrowings		2,825	2,044
Repayment of long-term borrowings		(885)	(120)
Additional short-term borrowings		10,466	8,705
Repayment of short-term borrowings		(11,156)	(9,127)
Interest paid on long-term loans		(32)	(70)
Other long-term liabilities, net		(8)	(8)
Interest paid on short-term loans and other financing charges		(239)	(103)
Net cash from financing activities		**971**	**1,321**
Net increase in cash and cash equivalents		**(275)**	**(209)**
At 1 January		367	579
Effect of foreign exchange rate changes		225	(3)
At 31 December		**317**	**367**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Cash Flow Statement.

1. BASIS OF PREPARATION

Financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting". For preparing unaudited condensed consolidated financials, the Board is required to give estimates and assumptions that influence the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as at the date of reporting and the reported income and expenses during the reporting period. The estimates are based on the information available at the date of preparing financial statements and actual amounts may differ from those estimated. Estimates and assumptions are revised on a continuous basis. Amendments of accounting estimates are recognised in the period influenced by such amendments (if only that period is influenced), or in future periods if both the current period and future periods are influenced.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statement have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revaluated amounts or fair values, as appropriate.

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2010. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated statements as were applied in the preparation of the Group` s financial statement for the year ended 31 December 2009.

Adoption of new and revised standards

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 1 “First-time Adoption of IFRS”- Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 1 “First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations effective in the current period (continued)

- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 32 “Financial Instruments - Presentation” - classification of rights issues (effective for annual periods beginning on or after 1 February 2010),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),
- IFRIC 17 “Distributions of Non-Cash Assets to Owners” (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 18 “Transfers of Assets from Customers” (effective for transfer of assets from customers received on or after 1 July 2009),
- IFRIC 19 “Extinguishing Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010),

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 “Financial Instruments” , as amended in 2010, (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 “Financial Instruments -Disclosure” – Disclosures – Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IAS 24 “Related Party Disclosures” - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations in issue not yet adopted (continued)

- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, most amendments are to be applied for annual periods beginning on or after 1 January 2011.

INA Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Management anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Change in Accounting policy in relation to under / over lifting balances (gas imbalances)

From 1 January 2010 INA changed accounting policy in relation to over / under lifting of gas from sales method to entitlement method.

According to entitlement method, INA Group should recognize revenue at the end of the period based on its share of the production regardless of the amount actually sold and record a receivable in the statement of financial position in the value of the difference between the contracted amount and the actually sold amount. This receivable will be derecognized when INA takes actually its share of production.

Any additional measurement should be recorded in Income Statement as Other income/expense.

Change of method resulted in HRK 35 million as other income, or under lifting, in Income Statement for the twelfth month period ended 31st December 2010.

Effect for the same period in 2009 is HRK 11 millions as cost or over lifting.

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Reclassification of part of financial income and costs

At 30 June 2010 INA Group reclassified income and expenses of interests and foreign exchange differences of customers and suppliers from financial activities to operating activities. The effect of such reclassification is as follows:

	INA Group	
	31 December 2010	**31 December 2009**
Reclassification of finance income	145	196
Reclassification of finance costs	(544)	(419)
	(399)	**(223)**

Change in cash-generating unit

In North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating units. In previously period cash generating unit was gas field.

	INA Group
	31 December 2009
Effect of changes in North Adriatic	17
Effect of changes in Egypt and Angola	(80)
	(63)

Change the methodology of calculating inventories

Inventories in BD Refining and Marketing calculated by the old methodology of price cost calculation are increased because the calculated price cost is higher than the price cost calculation from the current methodology.

The methodology that was applied in 2009 includes the cumulative costs from January until November 2009 and cumulative processed quantities from the same period. Domestic crude oil is valuated at transfer prices between the BD Exploration and Production and BD Refining and Marketing, while imported crude oil is valued in a way that the consumed cumulative quantities are multiplied with the price of oil from December 2009.

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Change the methodology of calculating inventories (continued)

The methodology of calculating the prices of inventories in 2010 includes the actual cost of December 2010 and the actual quantities of December 2010. Domestic crude oil is valued by actual cost of BD Exploration and Production while imported crude oil is valuated by actual cost of December 2010.

The change in methodology of inventory calculation has reduced the inventories value by HRK 135 million in BD Refining and Marketing.

	INA Grupa 31 December 2010
Effect of changes in products and residue	62
Effect of changes in finished products and residue	73
Total	**135**

Changes of estimate of impairment of receivables

At 31 December 2009 INA Group has changed its accounting estimate of collectability of receivables for goods sold or services rendered. The effect of changes in accounting estimates at 31 December 2010 are as follows:

	INA Group		
	Over 120	Impairment	Difference
Strategic customers	251	(193)	**58**
Total	**251**	**(193)**	**58**

4. SEGMENT INFORMATION

Reporting segments have been defined along value chain standard for the oil companies:

- Exploration and Production – exploration, production and selling of crude oil and natural gas
- Refining and Marketing – crude oil processing, wholesale of refinery products, trading and logistics
- Retail – selling of fuels and commercial goods in retail station
- Business functions – providing services for core activities

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

Revenues and results of the period by operative segments follows below:

INA Group

31 December 2010	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total
Sales to external customers	8,688	10,668	6,419	88	-	25,863
Inter-segment sales	2,194	5,106	34	634	(7,968)	-
Total revenue	**10,882**	**15,774**	**6,453**	**722**	**(7,968)**	**25,863**
Operating expenses, net of other operating income	(6,271)	(16,653)	(6,642)	(2,138)	7,968	(23,736)
Profit/(loss) from operations net of other income	**4,611**	**(879)**	**(189)**	**(1,416)**	**-**	**2,127**
Net finance income						(810)
Profit/(loss) before tax						1,317
Income tax expense/(benefit)						(365)
Profit/(loss) for the year						**952**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2009	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Sales to external customers	6,937	9,230	5,802	362	-	22,331
Inter-segment sales	1,757	4,224	10	547	(6,538)	-
Total revenue	**8,694**	**13,454**	**5,812**	**909**	**(6,538)**	**22,331**
Operating expenses, net of other operating income	(7,107)	(14,075)	(5,938)	(1,954)	6,538	(22,536)
Profit/(loss) from operations net of other income	**1,587**	**(621)**	**(126)**	**(1,045)**	**-**	**(205)**
Net finance income						(284)
Profit/(loss) before tax						(489)
Income tax expense/(benefit)						95
Profit/(loss) for the year						**(394)**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2010 Assets and liabilities	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	13,119	6,884	942	602	-	21,547
Intangible assets	715	7	12	114	-	848
Investments in associates and joint ventures	21	-	-	-	-	21
Inventories	783	2,274	70	30	-	3,157
Trade receivables, net	1,696	1,071	357	302	(374)	3,052
Not allocated assets						2,625
Total assets						**31,250**
Trade payables	773	2,592	343	452	(378)	3,782
Not allocated liabilities						14,678
Total liabilities						**18,460**
Other segment information						
Capital expenditure:	**1,473**	**1,327**	**52**	**38**	-	**2,890**
Property, plant and equipment	1,293	1,327	51	14	-	2,685
Intangible assets	180	-	1	24	-	205
Depreciation and amortisation	**1,604**	**330**	**153**	**166**	**-**	**2,253**
From this: Impairment losses recognized in profit and loss	444	-	59	-	-	503

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2009 Assets and liabilities	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	12,863	5,888	920	682	-	20,353
Intangible assets	552	9	10	160	-	731
Investments in associates and joint ventures	57	11	-	-	-	68
Inventories	803	1,973	63	48	-	2,887
Trade receivables, net	1,279	1,266	296	470	(386)	2,925
Not allocated assets						3,103
Total assets						**30,067**
Trade payables	1,277	2,624	286	485	(386)	4,286
Not allocated liabilities						13,989
Total liabilities						**18,275**
Other segment information						
Capital expenditure:	**3,039**	**1,367**	**47**	**51**	**-**	**4,504**
Property, plant and equipment	2,902	1,365	46	36	-	4,349
Intangible assets	137	2	1	15	-	155
Depreciation and amortisation	1,506	412	275	151	-	2,344
From this: Impairment losses recognized in profit and loss	555	113	169	-	-	837

5. SEASONALITY OF OPERATIONS

Demand for certain oil products and natural gas varies according to the seasons.

In the months of April to September, with the peak occurring in August (the “Tourist Season”), retail motor fuel sales are significantly higher, by volume and by number of transactions, particularly along coastal routes, than in the remaining months of the year, due to the incoming of tourists to Croatia in this period. The increased number of transactions at INA Group’s petrol stations also leads to an increase in non-fuel sales at those sites during these periods.

Natural gas sales are higher in the winter heating season.

6. TAX COSTS AND DEFERRED TAXES

Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the period ending 31 December 2010 and 20% for the period ending 31 December 2009.

7. EARNINGS PER SHARE

	INA Group	
	Twelve months ended:	
	31 December 2010	**31 December 2009**
Basic and diluted earnings/(loss) per share (in HRK)	**95.8**	**(39.2)**

Earnings	**Twelve months ended:**	
	31 December 2010	**31 December 2009**
Earnings used in the calculation of total basic earnings per share (profit/(loss) for the period attributable to equity holders of the parent)	958	(392)
	958	**(392)**

Number of shares	**Twelve months ended:**	
	31 December 2010	**31 December 2009**
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

(all amounts in HRK millions)

8. INTANGIBLE ASSETS

In the period ending 31 December 2010, the Group invested HRK 205 million in intangible assets. The effect of depreciation on the decrease of their carrying amount to HRK 86 million in INA Group. Decrease through P&L in INA Group was HRK 13 million. The amount brought forward from property, plant and equipment was HRK 11 million in INA Group.

9. PROPERTY, PLANT AND EQUIPMENT

In the period ending 31 December 2010, the Group invested HRK 2,685 million in property, plant and equipment. Capitalised decommissioning costs decreased the value of assets by HRK 356 million in INA Group. Value increase of assets because of reversal of impairment in INA Group was HRK 503 million and by amortisation from decommissioning in prior periods is 46 million HRK in INA Group. The effect of depreciation on reducing their book value amounted to HRK 1,664 million in INA Group. The reduction of book value of HRK 11 million was transfer to non-current intangible assets in INA Group. Disposal of assets in INA Group was HRK 8 million. The decrease in the carrying value of the INA Group was also result of foreign exchange differences in the amount of HRK 3 million. Share capital increased of Polybit rose the value of INA Group in amount of HRK 1 million and an additional HRK 1 million increased is resulting from deposal of Crobenz.

10. OTHER INVESTMENTS

	INA Group	
	31 December 2010	**31 December 2009**
Financial assets at fair value through profit or loss	6	6
Long-term loans	328	109
Deposits	22	23
Other investments	**356**	**138**

11. SHARE CAPITAL

Issued capital as at 31 December 2010 amounted to 9,000 million HRK. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

(all amounts in HRK millions)

12. REVALUATION RESERVE

	INA Group	
	31 December 2010	**31 December 2009**
Balance at the begining of the period	10	(135)
Increase arising on revaluation available for sale securities (Janaf)	21	181
Deffered tax	(4)	(36)
Balance at the end of the period	**27**	**10**

13. RETAINED EARNINGS

	INA Group
	Retained earnings/ (Accumulated deficit)
Balance at 1 January 2010	**463**
Profit for the period	958
Balance at 31 December 2010	**1,421**

(all amounts in HRK millions)

14. LONG-TERM LOANS

In the period from 31 December 2009 to 31 December 2010, INA Group's long-term debt increased by HRK 1,559 million. The increase mainly relates to using new loan of PBZ on the amount of EUR 34 million or HRK 245 million, the loan of Erste Card Club on the amount of HRK 79 million, the loan of Intensa Sanpaolo on the amount EUR 27.7 million or HRK 201 million, and the loan of EBRD bank on the amount USD 161.5 million or HRK 866 million, the loan of EBRD on the amount EUR 40 or HRK 292 million, the loan of ICF on the amount EUR 50 million or HRK 365 million, the loans of MOL on the amount EUR 25 million or HRK 185 million and on the loan USD 89 million or HRK 497 million, the loan of RBA on the amount HRK 80 million, the loan of OTP bank on the amount HRK 15 million repayment in amount HRK 1,136 million, foreign exchange loss in amount of HRK 510 million and increasing current portion of long-term loans in amount of HRK 640 million.

15. BANK LOANS AND OVERDRAFTS AND CURRENT PORTION OF LONG-TERM LOANS

	INA Group	
	31 December 2010	**31 December 2009**
Overdrafts and short-term loans	1,659	2,104
Current portion of long-term loans	1,295	655
	2,954	**2,759**

	INA Group	
	31 December 2010	**31 December 2009**
Secured bank loans in USD	663	1,454
Secured bank loans in EUR	429	149
Secured bank loans in HRK	64	96
Secured bank loans in HUF	34	45
Unsecured bank loans in USD	75	159
Unsecured bank loans in EUR	179	-
Unsecured bank loans in HRK	215	201
Unsecured bank loans in HUF	-	-
Other	-	-
	1,659	**2,104**

15. BANK LOANS AND OVERDRAFTS AND CURRENT PORTION OF LONG-TERM LOANS (continued)

Balances of short-term loans of the INA Group at 31 December 2010 can be summarised as follows:

Raiffeisen Bank Austria d.d. Zagreb
In 2010, a short-term general-purpose loan was concluded, denominated in Croatian kuna, with an interest rate of 3M ZIBOR plus 2.4 percentage point. The loan is due on 31 March 2011, and the balance outstanding at 31 December 2010 amounts to HRK 215 million.

Raiffeisen Bank International AG
In 2010, a short-term general-purpose loan was concluded, denominated in Croatian kuna, with an interest rate of 3M EURIBOR plus 4.2 percentage point. The loan is due on 30 June 2011, and the balance outstanding at 31 December 2010 was USD 50 million, equivalent to HRK 369 million.

MOL
In 2010, a short-term loan agreement was concluded with MOL for the purpose of financing the investment in Energopetrol Sarajevo. The agreed interest rate is 3M EURIBOR, plus 6 percentage point, and the loan is due on 31 March 2011. The balance outstanding at 31 December 2010 was EUR 24 million, equivalent to HRK 179 million.

BNP Paribas
A short-term loan agreement was concluded, with an interest rate based on COF, plus 1.25 percent. The purpose of the loan is to finance oil purchase. The loan is due on 31 March 2011, and the balance outstanding at 31 December 2010 was USD 35 million, equivalent to HRK 196 million.

BNP Paribas
A short-term loan agreement was concluded, with an interest rate based on COF, plus 1.25 percent, to finance oil purchase. The loan is due on 31 July 2011, and the balance outstanding at 31 December 2010 was USD 23 million, equivalent to HRK 126 million.

Credit Agricole
In 2010, a short-term loan agreement was concluded for oil purchases. The agreed interest rate based on COF, plus 1.5% to finance oil purchase and the loan is due on 31 March 2011. The balance outstanding at 31 December 2010 was USD 41 million, equivalent to HRK 228 million.

(all amounts in HRK millions)

16. PROVISION

INA Group	Environmental provision	Decommission Charges	Legal claims	Redundancy costs	Cost of unutilised holiday	Tax obligation claims of Holdina Sarajevo	Other	Total
Balance at 1 January 2010	**35**	**2,330**	**275**	**-**	**60**	**21**	**81**	**2,802**
Charge for the year	319	-	40	17	65	-	141	**582**
Effect of change in estimates	3	144	-	-	-	-	-	**147**
Provision utilised during the year	(35)	(357)	(52)	-	(58)	-	(15)	**(517)**
Balance at 31 December 2010	**322**	**2,117**	**263**	**17**	**67**	**21**	**207**	**3,014**

At 31 December 2010 Ina Group recognized environmental provision in amount HRK 322 million which covers treatment of accumulated waste generated by former activity, soil excavation and replacement during the reconstruction of filling stations and investigation to determine the extent of the contaminations. It does not cover the cost of remediation in lack of detailed National regulations.

(all amounts in HRK millions)

17. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale relates to the sell entrepreneur Crobenz limited company for oil distribution, having its registered office in Zagreb, Radnička cesta 228. The company was sold 30 September 2010.

	INA Group	
	31 December 2010	31 December 2009
Intangible assets	-	2
Property, plant and equipment	-	107
Investments	12	-
Inventory	-	6
Trade receivables, net	-	5
Other receivables	-	1
TOTAL ASSETS	**12**	**121**
Long-term loans	-	19
Provisions	-	1
Current portion of long-term loans	-	4
Trade payables	-	3
Taxes and contributions	-	1
Other current liabilities	-	1
TOTAL LIABILITIES	**-**	**29**
ASSETS CLASSIFIED AS HELD FOR SALE	**12**	**92**

The sale of Croplin d.o.o., Zagreb, was initiated based on the Decision of the Managing Board of INA d.d. of 16 June 2010 .

At 31 December 2010 INA d.d. reclassified Croplin d.o.o., in which it holds an ownership share of 50 percent, to investments available for sale. The negotiations with the buyers are in progress. The sale is expected to take place in 2011. The net book value of the investment in Croplin d.o.o. amounts to HRK 12 million.

18. RELATED PARTY TRANSACTIONS

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA Group strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation. Details of transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

(all amounts in HRK millions)

18. RELATED PARTY TRANSACTIONS (continued)

During the year, INA, d.d. entered into the following trading transactions with the following related parties:

INA, d.d.	Sales of goods		Purchase of goods	
	Twelve months ended:		Twelve months ended:	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Foreign related companies				
Interina Ltd Guernsey	2,815	2,567	280	238
Holdina Sarajevo	526	539	-	-
Interina d.o.o. Ljubljana	27	16	-	1
Interina Ltd London	6	206	10,666	8,073
Adriagas Milano	-	-	4	4
INA Crna Gora d.o.o Podgorica	55	37	-	-
INA Beograd d.o.o Beograd	100	47	-	-
Domestic related companies				
Crosco Grupa	7	5	124	130
Osijek Petrol d.d.	399	491	-	-
Crobenz d.d. Zagreb	334	487	2	5
Proplin d.o.o. Zagreb	498	460	-	85
STSI d.o.o. Zagreb	19	7	258	304
Maziva Zagreb d.o.o. Zagreb	95	59	8	9
ITR d.o.o. Zagreb	1	2	24	30
Sinaco d.o.o. Zagreb	3	2	124	134
Hostin d.o.o. Zagreb	-	-	-	1
Prirodni plin d.o.o. Zagreb	3,970	1,210	235	41
Polybit d.o.o.	-	1	-	-
Companies available for sale				
JANAF d.d. Zagreb	1	-	45	40
Strategic partner				
MOL Plc	347	170	941	1,238
Companies controlled by strategic partner				
Tifon d.o.o.	399	9	6	-
Companies controlled by the State				
Hrvatske željeznice	26	104	42	42
Hrvatska elektroprivreda	344	1,753	142	56
Croatia osiguranje	2	5	44	1
Hrvatske vode	-	-	22	19
Hrvatska pošta	-	1	2	3
MORH	51	45	-	-
Jadrolinija	111	94	5	5
Narodne novine	-	-	2	3
Croatia Airlines	158	132	-	-
Petrokemija Kutina	6	834	-	-
Plinacro	-	4	-	242
Hrvatske autoceste	-	1	60	17
Podzemno skladište plina Okoli	1	11	-	-

(all amounts in HRK millions)

18. RELATED PARTY TRANSACTIONS (continued)

During the year, INA, d.d. entered into the following outstanding balances with the following related parties:

INA, d.d.	Amounts owed from related parties		Amounts owed to related parties	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Foreign related companies				
Interina Ltd Guernsey	-	239	128	57
Holdina Sarajevo	81	104	5	3
Interina d.o.o. Ljubljana	3	2	-	-
Interina Ltd London	-	6	2,183	2,153
Adriagas Milano	-	-	1	1
INA Crna Gora d.o.o Podgorica	15	8	-	-
INA Beograd d.o.o Beograd	7	5	-	-
Domestic related companies				
Crosco Grupa	2	1	50	42
Osijek Petrol d.d.	123	96	1	1
Crobenz d.d. Zagreb	-	143	-	1
Proplin d.o.o. Zagreb	109	90	22	29
STSI d.o.o. Zagreb	8	3	173	212
Maziva Zagreb d.o.o. Zagreb	21	20	28	43
ITR d.o.o. Zagreb	-	-	14	41
Sinaco d.o.o. Zagreb	1	-	36	63
Hostin d.o.o. Zagreb	-	-	-	1
Prirodni plin d.o.o. Zagreb	2,271	849	346	196
Companies available for sale				
JANAF d.d. Zagreb	-	-	4	20
Strategic partner				
MOL Plc	30	26	609	653
Companies controlled by strategic partner				
Tifon d.o.o.	99	3	6	-
Companies controlled by the State				
Hrvatske željeznice	1	108	13	10
Hrvatska elektroprivreda	209	217	7	16
Croatia osiguranje	-	-	1	33
Hrvatske vode	-	-	3	6
Hrvatska pošta	2	2	-	-
MORH	14	14	-	-
Hrvatske šume	5	4	-	-
Jadrolinija	33	25	-	1
Narodne novine	-	-	-	-
Croatia Airlines	24	30	-	-
Petrokemija Kutina	194	199	-	-
Plinacro	-	-	-	38
Hrvatske autoceste	1	-	5	8
Podzemno skladište plina Okoli	-	1	6	61

19. COMMITMENTS

Investment in refining assets

In 2005, a temporary investment unit for the modernisation of refinery operations was established based upon a Company management decision. The Company is committed to a programme of capital investment in its refineries in order to enable them to continue to produce fuels which comply with increasingly stringent environmental standards (in terms of the refinery product quality) on the European market. The modernisation of refineries should include the increasingly stricter environmental protection requirements applicable to the fuel production process.

The tasks of the investment unit and its teams include managing modernisation projects at the Sisak and Rijeka Refineries. The ultimate objective of the programme is to meet the European quality standards applicable to refinery products until specified effective dates. The construction of new plants and the modernisation of the existing ones will significantly expand the quantitative capacities of the refineries, as well as improve the product quality and significantly reduce the level of environmental pollution.

For the purposes of the implementation of the refinery modernisation project, 192 contracts were concluded with vendors as at 31 December 2010, worth HRK 3.55 billion.

Investment in contract areas of North Adriatic

Activity of bringing the production of natural gas reserves in the geographic area of North Adriatic, mostly within the epicontinental shelf of Republic of Croatia, is taking place through Production Sharing Agreements (PSA) which INA has signed with foreign companies in the so - called contract areas:

- INA, d.d. and ENI Croatia B.V. have closed down in the 1996 and 1997 Production Sharing Agreements in contract areas Ivana and Aiza - Laura, and realization of the partnership takes place through a joint operating company INAgip with interests 50 : 50,

- INA, d.d. and EDISON INTERNATIONAL S.p.A. have closed down in the 2002 Production Sharing Agreement in the contract area Izabela & Iris / Iva.

Partnership with the EDISON takes place through the operating company EDINA with interests: Edison 70% and INA 30%.

When Izabela gas field will be also in production, in the North Adriatic Area a total of 18 production platforms and 1 compressor platforms with a total of 46 production wells will be installed.

Until now, in the contract areas North Adriatic and Aiza-Laura, INA, d.d. has invested in capital construction of mining facilities and plants HRK 4.3 billion, while of the total gained reserves INA´s share will range about 70% of the produced gas, which is further placed on the Croatian gas market.

Two platforms (Izabela South and Izabela North) have been installed on the Izabela gas field (in partnership with Edison). Two production wells have been drilled from Izabela South and completed, each with two production strings, and the platform has been ready for starting the test production since 23 May 2010.

19. COMMITMENTS(continued)

Investment in contract areas of North Adriatic (continued)

From Izabela North, three production wells, each with two production strings, have been drilled and complete, and the platform has been ready for starting the test production since 13th July 2010. Additionally, on 28th September 2010, Ex-Agency and Croatian Register of Shipping issued their Final Reports and Safety Certificates, which are the final evidence that platforms are fully technically ready for production period. At the beginning of November 2010 Croatian Ministry of Economy has issued Approval for extansion of “Test production phase” up to end of June 2011, and Final Technical Committee and Operating license obtaining are expected at the beginning of July 2011. Although technically ready, in this moment platforms still are not in the production, due to still ongoing negotiations between INA and Edison. Once production starts, INA's share of production from the Izabela gas field will be about 45%.

On 31 December 2010 INAgip had in both contract areas 285 active contracts amounting in total to HRK 207.67 million and the remaining commitments under these contracts on the same date amounted to HRK 100.94 million.

Edina has, for the need of the development of the Izabela gas field from 1 January 2008 until 31 December 2010, concluded 64 (of which are still active 25) contracts amounting in total to EUR 140.3 million from which EUR 138.12 million was carried out on 31 December 2010.

Investments in Syria

INA Group has been active in Syria since 1998, and is currently independently exploring and developing two blocks. INA has two Production Sharing Agreements (PSA) for the exploration, development and production of petroleum in Syria, both signed with the Government of the Syrian Arab Republic and the GPC which allow partners exploration, development and production of hydrocarbons in Syria.

The first PSA between The Government of the Syrian Arab Republic and GPC and INA d.d. – Naftaplin was assembled 13 August 1998 for Hayan Block. The second PSA covers the Aphamia Concession and has become effective from 26 June 2004.

Up to present day INA has six (6) commercial discoveries on Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadira and Mazrur) with significant oil, gas and condensate reserves.

The average daily production of the gas in period January-December 2010 is around 1.33 mil scm and 6,830 bbl/day of the crude oil and condensate, which is result of production start up through Hayan Oil and Gas Station.

Hayan Oil and Gas Station (Stage 2), together with belonging oil, gas & condensate wells, transportation system and oil tanks, is under production. Construction activities at Hayan Gas Treatment Plant (GTP Hayan), with capacity 3.9 million m3/day inlet gas and up to 180 t/day LPG, are also finished. For the time being GTP Hayan is under process of commissioning and performance testing together with belonging gathering and transportation system for dispatching produced gas and oil/condensate. Until present moment all discovered fields are put on stream and production of gas and condensate from gas reservoirs on the Jihar and Al Mahr fields started

19. COMMITMENTS(continued)

Investments in Syria (continued)

Current situation

On Aphamia Exploration Block where INA is Operator (100%), the Second exploration phase (First Extension of Initial Exploration phase) commenced in August 2008.

During that phase INA was obliged to acquire 300 km 2D seismic or equivalent of 3D and drill 2 exploration wells (USD 6,000,000 minimum financial obligation). Completion date of that phase is August 2010. Obligations are completely done; 270km2 3D seismic was acquired and 2 exploration wells were drilled (November 2010). The prospect that were drilled fulfilled projected expectations and encourages further exploration activities. INA sent to GPC request for approval for the Second Extension of Initial Exploration phase. The work obligations for this phase is drilling 1 exploration well in the period of 2 years (USD 5,000,000 minimum obligation with validity of 30 months). Completion date of that phase is January 2013 (24 months after GPC approval).

In Syria until 31 December 2010, HPC had 21 valid contracts including 3 new. The total amounts of these contracts were HRK 3.06 billion. At 31 December 2010 remaining obligations due to these contracts were HRK 246.9 million.

Purchase obligations under "take or pay" contracts

Starting from 1 January, 2011 Prirodni plin d.o.o. conclude a new import Contract with ENI Italy for procurement of app 2,25 bcm natural gas till December 31, 2013. As of 1 January, 2011 future obligations are app HRK 4,9 billion until the contract expiry (31 December 2013).

Purchase obligations under the contract to transport gas

Additionally, the Company concluded transportation agreements to ensure deliveries of the gas to the destination point (FCA Croatian border). Validities of transportation contracts are 2015 for Slovenia and 2017 for Austria. The future commitments contracted approximate to HRK 1.12 billion until cancellation of all contracts (until 2017).

Gas selling Contracts

Group had following natural gas sale contracts from 1 October 2010 i.e. from 1 January 2011. to the expiry of the underlying contract:

1. Long-term contract between Prirodni plin d.o.o. and HEP d.d. Zagreb (Annex 11 which defines the conditions for delivery in 2011remains in INA and is not transferred to PP)
   a) Contract period: from 1 January 2011 until 1 January 2016 (Annex 11 defines conditions for delivery in 2011)
   b) Sales revenue from 1 October until 31 December 2010: 340 million HRK
   c) Contracted supply quantity: 3,507,614,644 m^3 from 1 January 2011 until 1 January 2016
   d) Estimated revenue for the remaining period: 9.63 billion HRK

19. COMMITMENTS(continued)

Gas selling Contracts (continued)

2. Long-term contract between Prirodni plin d.o.o. and Petrokemija d.d. Kutina
   a) Contract period: from 1 January 2011 until 31 December 2011
   b) Sales revenue from 1 October until 31 December 2010: 319 million HRK
   c) Contracted supply quantity: 654,500,000 m^3 from 1 January 2011 until 31 December 2011
   d) Estimated revenue for the remaining period: 1.36 billion HRK

3. Contracts between Prirodni plin d.o.o. and tariff-based customers (distribution - transport)
   a) Contract period: from 1 October 2010 until 30 September 2011
   b) Sales revenue 1 October until 31 December 2010: 488 million HRK:
   c) Contracted supply quantity: 494,089,359 m^3 from 1 January 2011 until 30 September 2011
   d) Estimated revenue for the remaining period: 857 million HRK

4. Contracts Prirodni plin d.o.o. – other tariff-based customers (distributors – sales)
   a) Contract period: from 1 October 2010 until 30 September 2011
   b) Sales revenue from 1 October until 31 December 2010: 399 million HRK
   c) Contracted supply quantity: 340,614,159 m^3 from 1 January 2011 until 30 September 2011
   d) Estimated revenue for the remaining period: 853 million HRK

5. Contracts Prirodni plin d.o.o. – other tariff-based customers
   a) Contract period: from 1 October 2010 until 30 September 2011
   b) Sales revenue from 1 October until 31 December 2010: 246 million HRK
   c) Contracted supply quantity: 292,688,372 m^3 from 1 January 2011 until 30 September 2011
   d) Estimated revenue for the remaining period: 317 million HRK

6. Contracts INA, d.d. – DIOKI (ethane)
   a) Contracted supply quantity: 40,900 tons in 2011. (2010. - 55,000 t)
   b) Sales revenue from 1 January until 30 December 2010: 60,744 million HRK
   c) Contract period: from 1 April 2008 until 31 March 2012 (Appendix III for deliveries in 2011)
   d) Estimated revenue from 1 January 2011 – 31 December 2011: 65,689 million HRK

Water selling contracts

1. High quality process water
   a) Contracted supply quantity: 2,883,500 m^3 in 2011 (2010 - 2,868,750 m^3)
   b) Sales revenue from 1 January until 31 December 2010: 4,902 million HRK
   c) Contract period: 2010
   d) Estimated revenue for (2011) the remaining period: 6,035 million HRK

19. COMMITMENTS(continued)

Water selling contracts (continued)

2. Geothermal water

   a) Contracted supply quantity: 410,000 m^3 in 2011 (2010 - 410,000 m^3)
   b) Sales revenue from 1. January until 31 December 2010 : 1.987 million HRK
   c) Contract period: 2010
   d) Estimated revenue for (2011) the remaining period: 2.300 million HRK

N-pentane selling contracts

1. N-pentane

   a) Contracted supply quantity: 350 tons in 2011 (2010 - 660-880 m^3)
   b) Sales revenue from 1 January until 31 December 2010: 1.697 million HRK
   c) Contract period: 2010
   d) Estimated revenue for (2011) the remaining period: 1,493 million HRK

Environmental matters

Identified costs are divided into cost of safety on work, fire protection, safety and environmental protection. The costs of environmental protection for 2010 in INA, d.d. are HRK 64.95 million. Plane for 2010 year for the costs of environmental protection was HRK 66.60 million. Environmental protection costs are grouped into a group of costs of services and materials for the environmental needs and the group of fees based on the legislation, and is paid based on actual emissions in any of the environmental media (air, water or soil) and environmental load waste. The first type of services is the contracted value with companies that provide environmental services, and fees are paid to the Fund for Environmental Protection and Energy Efficiency based on issued decision.

20. CONTINGENT LIABILITIES

There were no changing of contingent liabilities regarding contingent liabilities presented in financial statement at 31 December 2009.

21. BUSINESS COMBINATIONS AND DISPOSAL

On 30 September 2010 INA was completed the transaction for the sale of INA's 100% ownership of Crobenz d.d. (“Crobenz”) to LUKOIL Croatia d.o.o. (“Lukoil”). On 21 July 2010, INA d.d. entered into a sale and purchase agreement for the sale of 100% ownership of Crobenz with LUKOIL Croatia d.o.o. The sale of Crobenz was conducted by the divestiture trustees as previously resolved by the Croatian Competition Agency (“Agency”). At its meeting of 29 July 2010, the Agency passed the decision on approving the transaction that was required for the fulfilment of the Resolution on the conditional approval of the MOL/INA concentration and it also granted the necessary clearance for the concentration between Lukoil and Crobenz. Crobenz is active in the wholesale and retail trade of petroleum products. The Crobenz retail network consists of 14 service stations operated under the Crobenz brand.

(all amounts in HRK millions)

21. BUSINESS COMBINATIONS AND DISPOSAL (continued)

Base Purchase Price	13
Audited net asset at 30 September 2010	(68)
Long-term loan INA d.d.	36
Profit on disposal	**(19)**
Payment on consideration	38
Temporarily receivables from customers	**19**

22. SUBSEQUENT EVENTS

Changes in organization structure in INA, d.d.

On 17 January 2011 of INA, d.d. was held the Extraordinary Shareholders' Assembly in which Ivan Šuker, Tomislav Ivić and Božidar Pankretić were released from the duty of the Supervisory Board Members, while Davor Štern, Gordana Sekulić and Damir Vanđelić are elected as members of the Supervisory Board for the term of office expiring on 10 June 2013.

Subject: Selec - 1 satellite field discovery

In the near vicinity of the Žutica oil field, after the testing, a satellite oil field was discovered with Selec-1 exploratory well. The field is set next to existing production fields and infrastructure, what is going to simplify bringing the field to production. Measurements at the depth of over 2,000 meters indicated a flow of 30 cubic meters of oil per day and over 30,000 cubic meters of natural gas per day. Further analysis of the testing results will enable a more precise appraisal of the new reservoir and estimation of the commercial reserve base, after which reservoir study will be prepared.

Launched sale of security business of company SINACO

With INA Board Decision on 22nd December 2010 began the restructuring process of company SINACO d.o.o., member of INA Group. By restructuring from SINACO will be separated a part of business associated with security services into a new company. Given that the security business is not associated with INA's core business, decision was made to sell that part of the business on open tender. Sale process started on 14th January 2011 with tender notice in public media. SINACO company, which will continue with its core business, such as protection against fire, occupational health and environmental protection, remains part of INA Group. Non-binding letters of intent to purchase the new company, INA d.d. was accepting till 2nd February 2011. It is expected that the entire sale process should be completed by the end of the first quarter of 2011.

22. SUBSEQUENT EVENTS (nastavak)

INA Management Board Members Appointed

During the circular voting procedure INA Supervisory Board appointed three new members of INA Management Board. The new members of INA Management Board are Niko Dalić, Ivan Krešić and Davor Mayer, all three appointed with the mandate starting from 11 February 2011 until 1 April 2015.

At the same session Tomislav Dragičević, Josip Petrović and Dubravko Tkalčić were recalled from the duty of the members of INA Management Board as of 10 February 2011.

Besides, the term of office of Attila Holoda and Lajos Alács as members of INA Management Board is extended for the period until 1 April 2015.

According to INA corporate governance, the Management Board is a collective body responsible for the overall business of the company, while Executive Directors are responsible for the operation of each business or function and are managing the day-to-day operation and businesses of the Company.